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MONTHLY

SUBSCRIPTION PRICE
\$1.75 PER YEAR

No. 83.

PRICE 15 CENTS

SEP. 1886.

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BETWEEN
CAPITAL AND LABOR

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SEDLEY TAYLOR

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PROFIT-SHARING

BETWEEN

CAPITAL AND LABOR.

SIX ESSAYS.

By SEDLEY TAYLOR, M.A.,

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ESSAY I.

PROFIT-SHARING IN THE MAISON LECLAIRE.

THE principle of participation by workmen in the profits of their employers, which was first tentatively put into operation by the Parisian house-decorator Leclaire in 1842, has since that time made signal progress. According to recent information, upwards of fifty industrial establishments in France, Alsace and Switzerland alone are now working upon this principle. The material advantages accruing both to employers and employed from systems of participation have been distinctly recognized by English writers on political economy—Babbage, Mill, Fawcett and others—but the intellectual and moral benefits which attach to the best existing methods of applying the principle have not, in this country at least, as yet attracted a degree of public attention at all commensurate with their importance. A lecture* addressed to an audience of working men in Cambridge on the 9th of

December, 1879, by Mr. W. H. Hall, contains, in a biographical form, an excellent sketch of the development of Leclaire's institution, and faithfully reflects the spirit which animates it. From this lecture I received a strong impulse to make a personal examination, on the actual scene of Leclaire's labors, into the most recent results there attained. On making my wish known through Mr. Hall to the present heads of Leclaire's house, I received from them a most cordial invitation, coupled with an offer to place their time and information unreservedly at my disposal. When, in the spring of 1880, I presented myself to these gentlemen at Paris, they proved in every respect as good as their word. I was allowed free access to the accounts of the establishment and to every source of information for which I chose to ask; my long string of questions, too, were answered with thoroughgoing fullness and unwearied patience. It is entirely owing to the kindness of MM. Redouly et Marquot, managing partners of the house of Leclaire, and of M. Charles Robert, President of the Mutual Aid Society connected with it, that I am enabled to make known, in the most authentic shape, the

* Published as a pamphlet by the Central Co-operative Board, Manchester.

present condition of perhaps the most beneficent industrial foundation now extant. To M. Marquot, who received me in the absence of his senior colleague, and to M. Charles Robert, my heartiest thanks are due for considerate attention and unfailing courtesy.

As a condition of understanding the present working of Leclaire's institution, some preliminary study must be devoted to the facts of its historical development. These, again, are inextricably interwoven with the incidents of Leclaire's life. I have accordingly found it indispensable, before describing his establishment as it actually exists, to narrate those facts of his life which bear most directly on the development of participation. In doing this I have, with the author's express permission, made full, and in places direct translational, use of the excellent French biography of Leclaire* written by his ardent admirer and disciple, M. Charles Robert. English readers will find interesting details, which I am obliged to pass over here, in Mr. Hall's lecture already referred to.†

Edme-Jean Leclaire was born on the 14th of May, 1801. The son of a poor village shoemaker, he was removed from school at ten years old, with the scantiest knowledge even of reading and writing, and put to work, first in the fields and next as a mason's apprentice. At seventeen, having arrived penniless and unfriended at Paris, he apprenticed himself to a house-painter. After three years passed amid much privation under a hard master, Leclaire became a journeyman, and after seven more, when only twenty-six years of age, took the bold step of setting up in business on his own account. Extraordinary capacity, energy and daring enabled him to force his way with

signal success and celerity. Within three years' time he had attracted the notice of architects by the excellence of the work done under his direction, and was already employed on considerable undertakings. In 1834 he was called on to execute works at the Bank of France and on the buildings of several railway companies: in fact by this time his success as an employer of labor was definitely assured.

Even had Leclaire done nothing more than this, he would have deserved a high place among the heroes of "self-help," who, though destitute of all extraneous aid, have by innate force and indomitable perseverance fought their way from penury to posts of industrial command. But Leclaire was far indeed from contenting himself with the part of a mere *exploiteur* of other men's labor. No sooner was his own position as an industrial chief assured, than, with rare width and generosity of view, he threw himself into plans and efforts for raising the condition of his own workmen, and ultimately of the wage-earning class in general. I have said that the scope of this Essay permits me to dwell only on those steps taken by Leclaire which directly forwarded the principle of participation; it is, however, impossible to pass over without incidental notice an innovation of his in a different field which has permanently benefited a whole group of workers—the substitution, in the painting trade, of white of zinc for white of lead. Leclaire, having convinced himself that as long as an active poison formed an ingredient in the paints employed, the ravages which it inflicted on workmen could only be palliated, never effectually counteracted, resolved to make search for some innocuous substitute for white of lead. Though totally ignorant of chemistry, he succeeded, with the help of experts whom he called to his aid, in discovering how to utilize white of zinc for this purpose, *i. e.*, how to procure it sufficiently cheap, and make it dry with sufficient rapidity. Armed with these results

* *Leclaire, Biographie d'un Homme Utile.* Paris, Sandoz et Fischbacher, 1878.

† They may also consult a more recent pamphlet by Miss Mary H. Hart, *A Brief Sketch of the Maison Leclaire* (London, 405, Oxford Street, 1882).

he entirely suppressed the use of white of lead in his establishment, and thereby, as far as his own workmen were concerned, put a stop for the future to "painter's colic" and all its train of attendant and consequent miseries. I am assured by M. Marquot not only that the white of zinc now exclusively used by the house is perfectly innocuous to the health of the painters, but that work executed with it is both fresher and more durable than that done with the old deleterious ingredient.

Decisively efficacious as was the sympathy which Leclaire felt for the physical sufferings of his workmen, it was the precariousness of the tenure under which they gained their livelihood that caused him the most poignant solicitude. His attention was early fixed on the calamitous effect which the sale of a business has upon the old hands who have been employed under it, when the new master dismisses without mercy every workman whose appearance indicates a diminishing capacity for labor. "A dismissal of this kind," wrote Leclaire in 1865, "inflicts a terrible blow on the workman who undergoes it. From this fatal day he acquires the sad conviction that, go where he may to ask for work, the conclusion will be instantly drawn from his face and bearing that he is too old to do the work well."

Knowing that a workman with children or infirm relatives to maintain could not make the least saving for the time of old age, and perfectly aware of the fate which, on his own retirement, would overtake many of those whose labor had contributed to place him in a position to pass his old days happily, Leclaire centered his attention on schemes for supplying the more providently disposed among his workmen with the means of an assured future. The first impulse in the direction which his plan ultimately took came from a M. Frégier, who, in 1835, told Leclaire that he saw no way to get rid of the antagonism which existed between workman and

master except *the participation of the workman in the profits of the master*. From this time forward Leclaire was constantly "cudgeling his brains" (*se frapper le front*) to find the best means of bringing this idea into practical operation.

In 1842 he prepared the ground for his first experiment by a very remarkable proceeding. Frauds were at that time numerous in the painting trade, and Leclaire foresaw that his scheme of participation would be set down as an attempt to enlist the cupidity of workmen by the prospect of illicit gain. Accordingly he proceeded to publish several pamphlets, exposing in the most unreserved manner the secrets of dozens of ways in which high pay could be got for bad work, even on orders secured by enormous reductions in price. By these publications Leclaire, to use his own words, "compelled people to be honest," and made it next to impossible for his workmen to swerve from the rule which he constantly impressed upon them—that the most complete honesty should characterize all their relations with the customers of the house.

On the 15th of February, 1842, Leclaire announced his intention of dividing among a certain number of his *ouvriers* and *employés* a part of the profits produced by the work done. The police, who saw in this nothing but a craftily constructed scheme for enticing workmen away from other masters, did their best to thwart Leclaire's presumed designs by prohibiting a meeting of his *employés* which he had asked permission to hold for the purpose of explaining the advantages attaching to his plan of participation. The meeting was of course abandoned, but Leclaire gave notice that the division of profits on the results of the year 1841 would take place in accordance with his previous announcement. A section of his workmen had from the first distrusted his offers, and they were supported in that attitude by a newspaper, *L'Atelier*, which accused him

of maneuvering in this fashion in order to reduce wages. When however Leclaire, after collecting his participants, forty-four in number, threw upon the table a bag of gold containing 11,886 francs (£475), and then and there distributed to each his share, averaging over £10 per man, it was found impossible to withstand the "object-lesson" thus given. All hesitation vanished and was replaced by unbounded confidence. On the profits of the succeeding years larger sums were divided among increasing numbers of participants. Thus, during the six years from 1842 to 1847 inclusive, an average of £750 was annually divided among an average of eighty persons. The share assigned to each participant was proportional to the sum which he had earned in the shape of wages during the year for which the assessment was made. There were, accordingly, wide differences in the amounts of the bonuses severally received, but the average, for the period above named, came to a little over £9 a year per head.

In 1838 Leclaire had established a "Mutual Aid Society" for the workmen and *employés* of his house, which was supported by monthly subscriptions from its members, and offered the advantages of an ordinary benefit club. Its statutes provided that a division of the funds of the Society might be demanded at the end of fifteen years from the date of its establishment. Accordingly a liquidation took place in 1853, and the Society was in the following year re-constituted on an entirely new basis. Subscriptions from the members ceased, and the resources of the Society were thenceforth to consist in a share of profits to be freely given by the house at its annual stock-taking.

In 1860 Leclaire, bent on realizing his idea of a provision for workmen in their old age, proposed to the members of the Mutual Aid Society that they should relinquish their right to a future division of its funds, and consent to the establishment of retir-

ing pensions. He now found himself in presence of a determined opposition. A capital of about £1600 had accumulated since 1854, and the persons interested in a division declined to forego the considerable sums which it would bring them. The issue was exceedingly critical, for, had the funds of the Society been again dissipated, the most characteristic feature of Leclaire's scheme could hardly have been developed. He had committed a most serious oversight in allowing the right to a subsequent division of funds to remain on the statutes of the Society after its re-constitution in 1854, and he seemed now on the point of being worsted in the decisive battle of his campaign. Fortunately, for the best interests of his opponents even more than for his own, he had reserved to himself the means of victory. He pointed out that though the members of the Society undoubtedly possessed the right of compelling a division of its funds, the statutes had conferred on himself an unlimited power of introducing new members who would be entitled to full shares in the division. By threatening to make a swamping use of this constitutional weapon, and also to withhold the annual subvention hitherto paid by the house, Leclaire induced the recalcitrant members of the Society to give way and consent to the creation of a permanent association and the establishment of retiring pensions.

The next step was to confer on the Society thus re-organized an independent legal status, and, at the same time, to link its interests indissolubly with those of the house from which it sprang. It was registered as an incorporated Society and made a perpetual sleeping partner (*commanditaire*) in the firm of "Leclaire et Compagnie." The words of the founder on handing over the new statutes to the members in 1864 are well worthy of citation here:—

The members of the Mutual Aid Society are no longer mere journeymen who act like machines and quit their work before the

clock has sounded its last stroke. All have become partners working on their own account: in virtue of this nothing in the workshop ought to be indifferent to them—all should attend to the preservation of the tools and materials as if they were the special keepers of them. . . . If you wish that I should leave this world with a contented heart, it is necessary that you should have realized the dream of my whole life; it is necessary that, after regular conduct and assiduous labor, a workman and his wife should have the wherewithal to live in peace without being a burden upon any one.

In 1865 Leclaire, who had already devolved the greater part of his duties on the colleague designated as his successor, M. Defournaux, retired to the village of Herblay near Paris, with the avowed intention of accustoming his young institution to walk alone. The following year saw him take a further step in the same direction by resigning his post as President of the Mutual Aid Society in favor of M. Charles Robert, who has occupied it ever since with conspicuous energy and devotion. Leclaire's retirement into country life led however to no cessation, but only to a change, of activity. He was at once appointed *Maire* of Herblay, and spent the two years and a half during which he held office in untiring efforts for the benefit of those placed under his administration. Most of his projects of village reform were successfully carried into effect, but that to which he attached cardinal importance, the application to agriculture of a system of industrial partnership, was not destined to pass, in his hands, beyond the form of an elaborate paper scheme in which he unflinchingly urged it on the inhabitants of Herblay.

We have seen that, in 1864, Leclaire gave a permanent legal status to the Mutual Aid Society connected with his house. In 1869 he impressed a like character of perpetuity on the organization of the house itself. A formal deed enacted that thenceforth the net profits of the business should be divided, in certain fixed proportions, between the managing partners, the Mutual Aid Society

and the workmen forming the regular staff of the house. This decisive act of incorporation was preceded by an elaborate inquiry in which every member of the establishment was invited to take part. A printed list of questions on the principal issues involved in the approaching settlement was addressed to each workman, and the answers to these questions, of which about two hundred sets were sent in, were carefully analyzed and reported on by a committee appointed for that purpose. The final scheme proposed by Leclaire, which was based on the recommendations of this committee, received the approval of the workmen assembled in a general meeting, and, on the 6th of January, 1869, became the legally binding charter of the house.

Leclaire lived to see his institution pass unscathed through the ordeals of the siege of Paris and the revolutionary conflict of the Commune. During the former calamity, though no longer *Maire* of Herblay, he remained at the village in order to support the inhabitants under the rigors of the German occupation. On the outbreak of the latter he boldly re-entered the capital, determined, "if Paris was to be destroyed, to be buried under its ruins with his workmen."

In the summer of 1872 the heroic old man's health rapidly gave way, and symptoms of the disease which was soon to carry him off began to show themselves. He was able, however, to be present at the annual meeting of his house on the 23d of June of that year, and to learn that, as the result of the recent stock-taking, £1350 would be paid over to the Mutual Aid Society, and £2700 divided in bonuses to labor. A week before his death, when disease was about to lay its paralyzing finger on his restless brain, Leclaire experienced his last earthly happiness in hearing that on the previous day £2000 had been actually distributed among upwards of six hundred workmen, and that there was good reason

to believe that the sums so allotted would be either carefully laid by, or applied to the wisest immediate purposes in the homes of the recipients.

Leclaire died at Herblay on the 10th of July, 1872, of apoplexy, in his seventy-second year, and was buried at Paris in the cemetery of Montmartre amid the tears and outspoken grief of those to whom his life's best energies had been devoted.

In describing the present state of Leclaire's institution, I shall have to dwell with special emphasis on the moral achievements brought about by his administrative machinery with which he supplied it. But before passing from the founder's life to its results, I may with advantage state what, from a purely economic point of view, is sufficiently striking, that during the period from 1842, when he first established participation, until his death in 1872, he had paid over to the Mutual Aid Society, and to his workmen directly, sums amounting in all to not less than £44,000. This was done, too, without impoverishing himself, for he left behind him a private fortune of £48,000.

Leclaire's foundation consists, as has been already seen, of two institutions, closely connected indeed, but separately administered, and capable of independent action—the house, or business-undertaking proper, and the Mutual Aid Society. The capital of the house amounts to £16,000, one-half of which is the property of the two managing partners, MM. Redouly et Marquot, while the other half is held by the Society as sleeping partner. There is also a reserve-fund of £4000, which can be drawn upon in case of an emergency. The Society possessed, in September, 1883, the sum of £62,076, of which about one-third is placed in securities guaranteed by the State, and about two-thirds invested in, or lent upon interest to, the house. The number of members of the Society was at that time 105, not including fifty-one pensioners who were receiving an aggregate of £2060 per annum.

The annual profits made by the house are distributed as follows:—The two managing partners receive £240 each as salaries for superintendence. Interest at five per cent. is paid to them and to the Society on their respective capitals. Of the remaining net profit one quarter goes to MM. Redouly et Marquot jointly, and another quarter to the funds of the Society; the remaining half is divided among all the workmen and others employed by the house, in sums proportionate to the amounts which they have respectively earned in wages, paid at the ordinary market rate, during the year for which the division is being made.

It is important to notice that participation in profits in proportion to wages earned is the right, not only of the corps of picked workmen who form the regular staff of the house, but also of the apprentices, and even of every casual auxiliary picked up, perhaps only for a single day's work, at the street corner. M. Marquot pointed out to me in the books of the house instances of this minute application of the principle, *e. g.*, one where a man who had done but *ten hours' work* in 1877 received at the end of that year 1 franc 15 centimes as profits, on 6 francs 50 centimes earned as wages.

Down to 1871 the benefits of participation were restricted to the workmen who formed the permanent staff of the house, but in that year they were thrown open to every man in its employ. The impulse which led to the introduction of this generous measure came, M. Marquot informed me, from a quarter to which Leclaire was ordinarily little disposed to look for inspiration. A socialistic workman not belonging to his establishment had tauntingly said to him in 1870, "Your house is nothing but a box of little masters who make money out of the others."* Leclaire felt the force of this criticism, and determined to make employment

* "*Votre maison n'est qu'une boîte de petits patrons qui exploitent les autres.*"

by the house and participation in profits rigorously co-extensive expressions.

The following table shows the sums paid in wages and in bonuses to labor in each year from 1870 to 1882, and the ratios of the latter to the former. The sums are given in English money, true to the nearest pound, and the ratios true to the nearest integer :—

Year.	Number of Participants.	Total of Wages.	Total of Bonuses to Labor.	Ratio of Bonuses to Annual Wages.
1870	758	£16,257	£2331	14 per ct.
1871	1038	22,260	2700	13 "
1872	976	29,083	3530	12 "
1873	633	26,327	2580	13 "
1874	827	24,012	3160	13 "
1875	1052	27,862	4000	14 "
1876	1081	27,943	4500	16 "
1877	826	25,820	4000	18 "
1878	1032	28,546	5200	18 "
1879	1125	34,715	6400	18 "
1880	949	38,897	7600	19 "
1881	1123	42,744	8600	20 "
1882	993	42,799	9630	22 "

The entire sum paid out of profits from the commencement of participation in 1842 down to 1882 inclusive, whether in cash bonuses or to the Mutual Aid Society, was £133,045. The yearly business turn-over of the house, which in the year of Leclaire's death (1872) fell slightly short of £80,000, was in 1882, £125,580.

The Mutual Aid Society confers further conspicuous advantages. Besides performing the functions of an ordinary benefit club, it bestows a retiring life-pension of £48 per annum on every member who has attained the age of fifty and has worked twenty years for the house, and it continues the payment of half this annuity to the widow of such pensioner during her life. It further insures the life of every member for a

sum of £40, to be handed over to his family at his death.*

A feature of extraordinary generosity which distinguishes this Society is the following provision. If a workman, even though he be neither member of the Society nor even on the list of those permanently employed by the house, meets while actually engaged in its service with a disabling accident, he becomes at once entitled to the full retiring life-pension of £48, and, if the accident results in his death, a half-pension reverts to his widow. At the annual meeting of the Society on the 4th of April, 1880, I witnessed a striking application of this generous statute. A poor fellow casually called in for an odd job, who never did a stroke of work for the house before, had met with an accident which within a few days put an end to his life. The facts of the case, including a medical certificate as to the cause of death, having been briefly put before the meeting by the President of the Society, the assembled members, by a unanimous show of hands, at once voted to the widow for her life a half-pension of £20.

It results from the preceding statements that a workman in Leclaire's house finds within his reach the following economic benefits, none of which he can look for in an establishment organized on the ordinary system :—

1. A large yearly bonus on his aggregate wages.
2. All the advantages of an ordinary benefit club.
3. A life-pension of £48 from his fiftieth year of age and twentieth year of work, half of which is continued to his widow for her life.
4. £40 payable to his family at his death.
5. The certainty that, if disabled from work by accident encountered when on duty, he will be placed be-

* These pensions stood in 1880 at £40 each; they were raised to £48 on the 1st of January, 1882.

yond the reach of want, and that, if he be killed, his family will not be left without some permanent means of support.

Conspicuous as are these material advantages, they are far from constituting the whole, or even the principal, good attaching to membership in Leclaire's beneficent institution. Its founder recognized in the principle of participation not merely a means of improving the pecuniary situation of the wage-earning class, but also a powerful lever for raising their moral condition, and with it of course their whole social status. Accordingly he sought to bring that principle into operation in such a form as to constitute an intellectual, moral and almost religious training for all who came into contact with it. A few of the main provisions by which this result has been attained with signal success shall here be briefly described.

Those among the whole number of men employed by the house who prove themselves to be first-rate workmen and of unexceptionable moral conduct can claim admittance into what is called the *noyau*—the kernel or core—of the establishment. The members of the *noyau*, who at present number 126 men, possess an influential voice in the administration of the house. They form the constituency by whom the *comité de conciliation*, which is for most purposes the governing body of the house, is annually elected. The two managing partners are *ex-officio* chairmen of this committee, and with them sit eight other members chosen by and out of the *noyau*, five of whom must be workmen, and three clerks or other superior *employés*. The *comité de conciliation* conduct the examination of candidates for admission to the *noyau*. On the death or resignation of a managing partner they nominate his successor for election by the assembled *noyau*, and they alone are authorized to pronounce the definitive dismissal, for misconduct, of a member of the *noyau*, and the

consequent forfeiture of all the claims which he may have on the Mutual Aid Society.* The powers of this body stop short, however, of *executive* functions. The business direction of the house is placed exclusively † in the hands of the two managing partners, who hold half the capital, and undertake personal liability for losses, which does not attach to the workmen except in an indirect manner through their interest in the reserve-fund. In order to render possible the election, as managing partner, of the best qualified man in the house irrespectively of his pecuniary circumstances, it is provided that, on the occurrence of a vacancy, the capital of the outgoing partner shall not be compulsorily withdrawn until the expiration of such a period as shall enable it to be replaced out of the sum accruing to his successor as share in profits from the date of the latter's appointment onward. During this interval, which at the present rate of profits would not exceed three years in the case of the senior, or five in that of the junior partner, interest at five per cent. on the retained capital would be paid to the ex-partner or his representative, but no share of profits.

The conditions of admission to the Mutual Aid Society are, membership of the *noyau*, five years of work for the house, good conduct and freedom from any chronic disease. The administration is in the hands of a *conseil de famille*, consisting of a president, six officers annually elected by the whole body of members, and twelve "visitors" chosen by yearly turns from the roll of the Society. These latter, besides taking part during their year of office in the proceedings of the

* So keen is the sense of disgrace incurred by an unworthy appearance before this body when sitting judicially, that men brought to its bar to be thus judged and sentenced by their own comrades have been known to shed tears like children, and be unable to utter a word in their own defense.

† The *noyau*, however, annually elect for one year the foremen (*chefs d'atelier*) from a list proposed by the managing partners.

managing council, are charged with very specific and important duties of brotherly kindness toward such members of the Society as, by reason of sickness or distress of any kind, stand in need of its active intervention. The visitors serve only one year at a time; the officers on the contrary are re-eligible. The *conseil de famille* regulates the admission of new members to the Society, the administration of aid during sickness and at death, and the assignment and payment of pensions, life-insurances, etc. It also causes the books of the house to be annually inspected, in order to be able to certify that the share of profits due to the Society has been fully paid over.

It is obvious that the organization roughly sketched out in the preceding pages must by its very nature put those who co-operate in working it through an invaluable school of practical training in morality and public virtue. To have obtained access to the *noyau* and the Mutual Aid Society by good conduct and active self-improvement, to have discharged the "visitor's" duty in the homes of suffering comrades, to have sat on committees, made and received reports, contributed to important decisions, perhaps even to have been entrusted, as a member of the *comité de conciliation*, with weighty disciplinary powers and attendant responsibilities,—every such step is itself a lesson in self-control, in humanity, in impartial conduct and judicial integrity. The workman in Leclaire's unpretentious foundation shares, in fact, the moral discipline which Mr. Mill has described as attaching to the participation of the private citizen in public functions. "He is called upon to weigh interests not his own; to be guided in case of conflicting claims by another rule than his private partialities; to apply at every turn principles and maxims which have for their reasons of existence the general good; and he usually finds associated with him in the same work minds more familiarized than his own with these ideas and

operations, whose study it will be to supply reasons to his understanding and stimulation to his feeling for the general good." *

With minds expanded and invigorated in this practical school, the members of Leclaire's house have come to grasp firmly and apply unhesitatingly conclusions which, though no doubt direct consequences of the principle of participation, would hardly be recognized as inseparably bound to it except by minds familiar with at least the elements of political economy.

They know that the more expeditiously work is dispatched, the greater will be the amount of business which the house can get through in the course of the year, and the greater the return on labor which will accrue to each individual workman. Accordingly, abandoning the system of organized waste of time which was thought an excellent expedient for thwarting the master under the old system, they work with self-sustained energy during the hours of labor.

They know that if the work executed is always of the very best kind, the reputation of the house and their earnings will remain at the highest point, but that every piece of work badly done tends to drive away its custom and prejudice their own interests. Accordingly the scamping of work and the introduction of inferior or defective materials, in fact every form of trade dishonesty, is sternly discountenanced by the men themselves.

They know that wanton destruction of tools or materials is merely one way of throwing their own money into the sea. Accordingly this proceeding, which has a certain zest about it when thought to be practiced to the sole detriment of a non-participating master, is seen in its true character and replaced by a vigilant watch exercised over every article of property belonging to the house.

In these and numberless other ways the feeling of identity of interest which animates the establishment has

* *Representative Government*, p. 68.

wonderfully softened the bitter spirit of antagonism toward the possessing class to which no men are more disposed than the Parisian *ouvriers*. The following incident strikingly illustrates the intensity with which this sentiment of solidarity is capable of acting. A workman, dismissed a few years before for having assailed with abuse one of the managing partners, applied in 1876 for re-admission to the *noyau*. The formerly offended partner and his colleague readily consented, but in spite of the efforts made by the latter as chairman of the *comité de conciliation*, the other members of that body, on which representatives of the workmen are in a majority, decided unanimously that the former offender should remain permanently excluded from the *noyau*, on the grounds that, having permitted himself to insult a partner of the house, no indulgence ought to be shown him; that the rules must be respected; and that it was better to sacrifice the interest of one man than to compromise the general interest.

M. Charles Robert informed me that, after long experience of the proceedings of the *noyau*, he considered the appointments made by them to have been uniformly good, and to have justified the very great trust reposed in that body by Leclaire. In particular he referred to their selection, at a general meeting and without any official candidature, of a committee for adjudging prizes to the apprentices for progress in technical study, as extremely well managed; great care having been taken to place no one on the committee who was personally connected with any of the competitors.

Of the general moral improvement now manifest throughout the house, M. Marquot, who was private secretary to the founder and has enjoyed the amplest opportunities of watching this progress, spoke to me in the strongest terms. The house-painters were, he said, at the time when Leclaire commenced his efforts on their behalf, notoriously the most dilatory, intemperate, debauched and intractable workmen to be found in Paris.

The members of the *noyau*—the "Old Guard" of the house, as Mr. Hall has most happily designated them—are now greatly in request among architects in consequence of their exceptional possession of diametrically opposite qualities.

The introduction of participation by workmen in the profits of employers admits of being recommended on purely economic grounds as a benefit to both the parties concerned. The increased activity of the workman, his greater care of the tools and materials entrusted to him, and the consequent possibility of saving a considerable part of the cost of superintendence, enable profits to be obtained under a participating system which would not accrue under the established routine. If these extra profits were to be wholly divided among those whose labor produced them, the employer would still be as well off as he is under the existing system. But, assuming that he distributes among his workmen only a portion of this fresh fund, and retains the rest himself, both he and they will at the end of the year find their account in the new principle introduced into their business relations.

It was on this tangible ground of mutual advantage that Leclaire by preference took his stand when publicly defending the system incorporated in his house. He constantly insisted that his conduct had been for his own advantage, and that it was better for him to earn a hundred francs and give fifty of them to his workmen than to earn only twenty-five francs and keep them all for himself. "I maintain," he wrote in 1865, "that if I had gone on in the beaten track of routine, I could not have arrived, *even by fraudulent means*, at a position comparable to that which I have made for myself."

This may be fully admitted as far as concerns the mere stimulation of the workman's energy by the prospect of increased gain; but the most superficial glance at the great institution reared by Leclaire suffices to show

that his real aims were of an entirely different order from those of the self-interested speculator with whom, in his anxiety to avoid the dangerous reputation of an innovating visionary, he professed to identify himself. He was at bottom, as M. Robert assured me, and as is indeed evident from many passages in his published writings, an ardent social reformer, passionately desiring the emancipation of the wage-supported classes from the precarious situation in which the present relations between capital and labor hold them bound as though by some inflexible law of nature. It was with an eye consciously fixed on this distant goal that he thought and wrote and labored in the immediate interests of his own workmen. As was the case with so many of those who have applied genius to philanthropy, the fountain of Leclaire's enthusiasm was essentially religious, though of a kind unconnected with the special dogmas of any particular Christian body. How intensely he held the "great commandment" of Christian morality appears from the following words written in sight of death, when he felt "sincerity" to be "more than ever a duty":—

I believe in the God who has written in our hearts the law of duty, the law of progress, the law of the sacrifice of one's self for others. I submit myself to his will, I bow before the mysteries of his power and of our destiny. I am the humble disciple of him who has told us to do to others what we would have others do to us, and to love our neighbor as ourselves: it is in this sense that I desire to remain a Christian until my last breath.

We have seen what one unaided man, imbued with this victorious spirit, was able to contribute toward the solution of the great social problem of our day—how, by bettering the relations between capital and labor, to assure to the toiling masses a self-respecting present and a hopeful future. I cannot believe that this consummation will ever be reached through the conflicts of opposing self-interests; it can only be from "eco-

nomic science *enlightened by the spirit of the gospel*,"* and pointing over the heads of lower antagonisms to a higher unity, that an ultimate solution is to be looked for.

ESSAY II.

PROFIT-SHARING IN INDUSTRY.

SOME forty years ago Channing delivered to a Boston audience a course of lectures "On the Elevation of the Working Classes." These lectures possess many conspicuous excellences of thought, feeling and expression, but pre-eminent even among these are the piercing clearness of vision with which the remote goal for a workman's best efforts is described, and the energetic precision with which it is pointed out in passages such as the following:—

There is but one elevation for a laborer and for all other men. There are not different kinds of dignity for different orders of men, but one and the same for all. The only elevation of a human being consists in the exercise, growth, energy, of the higher principles and powers of his soul. A bird may be shot upwards to the skies by a foreign power; but it rises, in the true sense of the word, only when it spreads its own wings and soars by its own living power. So a man may be thrust upward into a conspicuous place by outward accidents; but he rises only in so far as he exerts himself and expands his best faculties and ascends by a free effort to a nobler region of thought and action. Such is the elevation I desire for the laborer, and I desire no other. This elevation is, indeed, to be aided by an improvement in his outward condition, and in turn it greatly improves his outward lot; and, thus connected, outward good is real and great; but supposing it to exist in separation from inward growth and life, it would be nothing worth, nor would I raise a finger to promote it.

While, however, Channing saw thus clearly wherein consisted the only real elevation of the working classes, and also recognized the powerful influence exerted by their outward con-

* M. Charles Robert, *La Question Sociale*, p. 43. Paris, Henri Bellaire.

dition on their inner life, he was unable to perceive, save vaguely and dimly, the agencies by which a genuine rise in the laborer's condition was to be brought about. He hoped much from increased temperance, economy, hygienic knowledge, education, reading and clearer development of Christian principle; but how these vital influences were to be organized as direct consequences of changed industrial relations was a problem the very statement of which would probably have appeared to him visionary and futile.

By a remarkable coincidence, at the very time when Channing was defining in America the spiritual aim to be set before the working classes, Leclaire in Paris was preparing an industrial revolution which, though based at first on purely economic considerations, was destined to bring in its train precisely that moral renovation to which Channing looked forward. I refer, of course, to the principle of participation by workmen in the profits of enterprise.

In the preceding Essay I have described the remarkable chain of associated institutions grouped by Leclaire around this central principle. They constitute a permanent industrial foundation, unique both in the nature of its organization and in the extent of the benefits, material and moral, which it bestows on its members. This very uniqueness, however, while it attracts public attention in an eminent degree to the Maison Leclaire, is only too likely to discourage imitation of an establishment so elaborately and munificently organized, founded too by an exceptionally situated man of unquestionable genius. The very completeness of the organization thus tends to obscure the merits of the principle on which it is based. I hope, therefore, to do service by showing that participation in profits, organized on a much less extensive scale and on simpler plans in a large number of industrial and commercial establishments on the Continent, is producing results of the same kind,

though not so far-reaching, as those attained by the Maison Leclaire.

In the present Essay, after indicating the principal sources of information in regard to these establishments, I shall describe selected instances of the main types on which participation has been organized in them. The results obtained shall be characterized, as far as practicable, in the words of those who have experienced them. A cursory survey of the ground already covered by participatory operations abroad will then lead to a few closing remarks on the applicability of similar methods in this country.

Of published works on participation by far the most important is that of Dr. Victor Böhmert,* Director of the Royal Statistical Bureau, and Professor of Political Economy at the *Polytechnicum*, at Dresden. It rests on an international investigation of the most extensive kind, carried out with extraordinary industry and perseverance. In describing the systems adopted by individual houses, extracts from regulations, statements of account, and all kinds of first-hand information, are abundantly supplied, and the results flowing from the methods adopted are often stated in direct communications made by the masters, and, in a few important cases, also by the men employed.

For the results in Paris alone, the chief authority is a volume by M. Fougereuse,† which includes a number of cases not described by Böhmert.

A further source of trustworthy information is the quarterly *Bulletin*,‡ published by a French society formed in 1879, in order "to ascertain and make known the different modes of participation actually employed in industry."§

* *Die Gewinnbetheiligung*. Leipzig, Brockhaus, 1878.

† *Patrons et Ouvriers de Paris*. Paris, Chaix, 1880.

‡ *Bulletin de la Société de la Participation aux Bénéfices*. Paris, Chaix.

§ An account of the work undertaken by this society will be found in the next Essay.

It will be readily understood that, besides these comprehensive works, there exists a great mass of separate publications dealing with the organizations of individual houses. These are far too numerous for specification save in a *catalogue raisonné* of such literature.

In selecting the types of participation to be described in this Essay, I have followed a mode of classification introduced by M. Fougèrouse, based on the manner in which the workpeople's share in profits is made over to them.

The simplest system is that which distributes this share in ready money at the close of each year's account without making any conditions as to the disposal of the sums so paid over. This mode of proceeding is adopted by but a very limited group of firms, the most important among which is the pianoforte-making establishment of M. Bord,* 52, rue des Poissonniers, Paris, which in 1878 employed about four hundred workmen, and had in June, 1882, completed its fifty thousandth pianoforte. Participation was introduced in 1865, in consequence of a strike, on the following basis. After deduction from the net profits of interest at ten per cent. on M. Bord's capital embarked in the business, the remainder is divided into two parts, one proportional to the amount already drawn as interest on capital by M. Bord, the other to the whole sum paid during the year in wages to the workmen. The former of these two parts goes to M. Bord, the latter is divided among all his *employés* who can show six months' continuous presence in the house up to the day of the annual distribution. The share obtained by each workman is proportional to the sum which he has earned in wages, paid at the full market rate, during the year on which the division of profits is made.

The following table shows the sums paid in bonuses from 1866 to 1882,

and the ratios which they bore to annual wages:—

Year.	Total of Bonuses to Labor.	Ratio of Bonus to Annual Wages.
	£	
1866	647	9.40 per cent.
1867	1529	17 "
1868	1171	12.86 "
1869	1891	20 "
1870	1886	18 "
1871*	—	— "
1872	2214	15 "
1873	2739	20 "
1874	3523	20 "
1875	4848	22 "
1876	4498	20 "
1877	4141	17 "
1878	3784	15 "
1879	2874	12 "
1880	3548	16 "
1881	4054	18 "
1882	5205	20 "

M. Bord has satisfied himself that a good and thrifty employment is made of these annual labor-dividends, and he considers that the effect of the system in attaching the workmen to the house, and its influence on their relations toward their employer, are excellent.†

From the system of immediate distribution, I pass to a diametrically opposite procedure introduced some thirty-three years ago, under the auspices of M. Alfred de Courcy, into one of the most important insurance companies of Paris, the *Compagnie d'Assurances Générales*.‡ Five per cent. on the yearly profits realized by the company is allotted to its staff, numbering about two hundred and fifty *employés* of all grades,

* The absence of a bonus for the war-year 1870-71 will surprise no one.

† While these pages are passing through the press I learn, from evidence given on the 19th of June, 1883, before a commission appointed by the French Minister of the Interior, that "seven or eight years ago" M. Bord abandoned his share of the net profits, and in 1882 reduced the interest on his capital to five per cent. so that the workmen now actually enjoy the entire profits of the house. [See *Enquête de la commission extra-parlementaire des associations ouvrières nommée par M. le ministre de l'intérieur*. Paris. Imprimerie Nationale 1883. Vol. II. p. 220.]

‡ Böhmert, § 76. Fougèrouse, p. 71.

* Böhmert, § 35. Fougèrouse, p. 67. *Bulletin*, 1882, p. 65.

whose fixed salaries are at least equal to those paid in non-participating insurance offices at Paris. No part of this share in profits is handed over in annual dividends. Each successive payment is capitalized and accumulates at four per cent. compound interest until the beneficiary has completed twenty-five years of work in the house, or sixty-five years of age. At the expiration of this period, he is at liberty either to sink the value of his account in the purchase of a life-annuity in the office, or to invest it in French Government or railway securities. Should he decide on the investment as against the life-insurance, he is allowed to draw only the annual dividends arising from it, as the company retain the stock certificates, and not till after his death abandon their hold on the principal in favor of such persons as he may designate by will to receive it. M. de Courcy, managing director of the company, is well known as the ardent and eloquent advocate of this system of long-deferred, or even only testamentarily transmitted, possession. He insists on the large sums which it has accumulated in comparatively short spaces of time, mentioning the instances of a simple book-keeper in whose name £480 stood to the good after fourteen years of work, a sub-cashier with £800 at the end of twenty-five years, and a superior official with £2600 after a similar period. From the company's point of view he alleges the increased permanence, steadiness and assiduity which the deposit account has produced in its staff of *employés*, and instances in particular the redoubled efforts which they willingly make at the seasons of heavy pressure of business. From a letter addressed to me by M. de Courcy, in November, 1880, I translate the following sentences:—

My opinion is more favorable than ever both to the principle of participation and in particular to my system of deferred possession. The institution has now had thirty years of experience, that is to say, of unvary-

ing successes. Each year, by augmenting the account of the *employé*, makes him feel more strongly the advantage of the *deferred* participation. Each year, too, the company appreciates better what it gains in fidelity in return for these sacrifices. My general principle is that there are no thoroughly satisfactory business transactions except those which are satisfactory to both the parties concerned. Experience has justified our institution from each of these points of view. It is excellent for the *employés* and excellent for the company.

From 1850 to 1880 the sum actually paid over out of profits to *employés* was £126,437; and the whole amount allotted down to Christmas 1882 was £293,536.

The share of profits assigned to each man has in some years been as much as twenty-five or thirty per cent. on his salary.

The great majority of participating houses combine the two systems just described: they distribute a part of the work-people's share of profits in cash bonuses, and invest the remainder for their future benefit. Among establishments thus organized I select for description the firm *Billon et Isaac*,* a joint-stock company manufacturing parts of the mechanism of musical-boxes at St. Jean near Geneva. The results in that house have been described and commented upon with great fullness of detail by M. Billon in a separate volume, and by members of the working staff in statements communicated to Professor Böhmert and published in his treatise. The system adopted rests on the following exceptionally liberal basis. After deduction of interest on capital and payments to the reserve and maintenance funds, the entire net profits are divided into two equal parts. One of these parts goes to the shareholders and the administration; the other part constitutes the portion assigned to labor. Of this latter sum one-half is annually distributed in cash bonuses proportional to wages earned individually during the year, and the remaining half is invested in the gradual purchase, for the respective beneficiaries, of £4 shares in the company, which carry

* Böhmert, § 6.

with them votes at its general meetings. The material results of participation in this house since its first introduction in 1871 appear from the following table, the sums stated in which are given true to the nearest pound :—

Year.	No. of Participants.	Total Average Share allotted to a Workman.	Ratio of this Share to his entire Annual Wages.
		£	per cent.
1871-72	103	8	18½
1872-73	109	14	28½
1873-74	92	11	20½
1874-75	102	12	23½
1875-76	140	9	17½
1876-77	98	2	4
1877-78	82	—*	—*
1878-79	89	4	8
1879-80	89	6	10
1880-81	101	8	15
1881-82	127	10	20

It will be seen from the above figures that participation has, in this house, had to pass through the ordeal of severe industrial depression directly following on a period of abounding prosperity. This fact should be borne in mind in reading the opinions now to be cited, which were written when the effects of bad trade had already made themselves felt.

The exceptionally complete insight into the working of participation afforded us in the firm Billon et Isaac will, I trust, be held to justify somewhat full quotation from the important judgments on that system expressed by members of the house.

I begin with an extract from a letter written by a workman to Professor Böhmert in 1877 :—

Since the introduction of participation in profits into this house important changes have become visible. There is no denying the fact that the workman who receives only fixed wages and knows beforehand that however much pains he may take with his work he will not on that account receive an additional farthing from his employers—that this workman becomes more and more negligent and does not bring to bear, as he might do, his full physical and intellectual capacities.

To my great regret I am bound to confess that this kind of thing occurred only too often among ourselves. Such negligence, moreover, does not show itself in the workshop only, it also invades family life. The workman, once sunk to this point, will in the end care as little for the good of his own family as for that of the establishment which employs him. . . . If he has a numerous family to support, it often happens that, in order to avoid seeing his own poverty, or to escape from the complaints of his wife, he seeks a refuge in the pot-house. The inevitable consequence of this conduct is the steadily increasing degradation of this workman and of his family; similar instances present themselves in abundance at Geneva.

Nevertheless, to remedy such evils is not so difficult a task as one might suppose. For proof of this it suffices to institute a comparison between the circumstances of the workman in our house before participation in profits with those which we now find there after the introduction of that system.

The undersigned has been working for the last eight years in this factory; he has therefore had sufficient opportunities for observation in this respect, and he can testify that participation in profits has done real wonders in it; one might even say that it has entirely altered the mode of life and habits of the workmen. Formerly, no one thought save of himself and of his individual interests; quarrels about work were nothing out of the common way. Now on the contrary, all consider themselves as members of one and the same family, and the good of the establishment has become the object of every one's solicitude, because our own personal interest is bound up in it.

It is with pleasure that one remarks how each man strives to fill up his time with conscientious effort to effect the utmost possible saving on the materials, to collect carefully the fallen chips of metal; and how, if one or other now and then is guilty of some negligence, a joking remark from his neighbor suffices to bring him to order again.

If now we cast a glance at the workman's family, we cannot help seeing that there too a notable change for the better has been produced. . . . Those men who formerly spent the chief part of their spare time at the public-house, where they gave vent to such sentiments as the following: "None of us can ever come to anything," have now got hold of quite different ideas. The first payment of shares in profits has laid in their minds the foundation-stone of a new way of looking at things, and awakened hopes for the realization of which saving is an indispensable condition. One cherishes the hope of purchasing a cottage; another wishes to set up a little shop; a third thinks of accumulating a small sum toward his old age, and, perceiving that the thing may prove possible, takes to staying at home; his wife, overjoyed at this change, strives to make his fireside as pleasant to him as possible, and

* Russo-Turkish War.

supports him in the enterprise which he has taken in hand.

The benefits of the system introduced among us are still more manifest in times of commercial crisis like that through which we have passed this winter. For a considerable time we have been reduced to seven hours of labor, and the earnings of a workman with a family on his hands barely sufficed to find food and clothing. Nevertheless one's house-rent had to be paid, and, inasmuch as here nearly all lodgings are paid for three months in advance, more than one of us would have had to sleep with the stars for roof, had not the deposit-account come opportunely to the rescue.

I take the following extracts from a joint opinion signed by seventy of Billon et Isaac's *employés* in the same year :—

Every workman who has become a shareholder and joint proprietor with his employers devotes his utmost attention to the success of the undertaking. The workman, having the same interests as his employers, and perceiving that he is no longer treated like a machine, works with energy and courage: our hearts are warmed and cheered by contact with those of our employers, who are always ready to set us a good example.

Piece-work, premiums, the raising of wages . . . can in nowise replace, for the workman's heart and the master's advantage, participation in profits: under this principle one works with good heart, which is the same thing as saying that one works more and better. It is no longer a mercenary work.

Next hear the opinion of M. Billon in 1877 :—

We soon became aware of the good influence which the prospect of sharing in profits exercised on our workmen. An entirely fresh zeal for work, and a lively interest in the house, showed themselves among them; a genuine solidarity was not slow in establishing itself, each man comprehending that all negligence in the performance of his duty was prejudicial alike to his colleagues and to himself. The task of superintendence became easy to us, and we were able thenceforward, without fear of offending any one, to insist on points of detail to which we had hitherto been obliged to shut our eyes. Moreover, the feeling of security with which the attitude of our workmen inspired us, permitted us to give ourselves up wholly to the development of our business. . . . It has often been said to us, " You have not had difficulties with your workmen, thanks to good years. But let an industrial crisis arise, and great will be your embarrassment when you

are obliged to dismiss your *employés*." This contingency, which assuredly we had foreseen when organizing participation, has presented itself; and we can say henceforward that it has done nothing but confirm our faith in the principle. . . . The crisis has served to demonstrate that, in bad as in good years, we are better situated in reference to the men than are those who have not applied the principle of participation. As to our work-people, it has made them understand, better than any arguments could have done, the benefits of obligatory thrift. Those among them who have shared in profits during these five years have received an annual average of twenty per cent. on their wages, so that, if they have laid by the entire fruit of the participation, they possessed at the time of the last division a sum equivalent to one year's wages.*

In reply to a letter of inquiry, M. Billon was good enough to write to me on the 15th of November, 1880, in the following terms :—

You ask me my present opinion on the working of participation in our house. I am happy to tell you that this principle continues to work to our entire satisfaction. . . . After ten years of experience we congratulate ourselves more and more on having adopted it. Its application has to such a degree become ingrained into our modes of doing business that we should not know how to get on without it; the management of an undertaking appears to us no longer possible without this element of justice, harmony, and peace.

After referring to piece-work, premiums, etc., as all good in their places and measures, M. Billon added—

These methods are all inadequate to obtain the complete adhesion of the workman (*Ouvrier tout entier*); it is only by participation in profits accorded on a suitable scale that his interest in the economic side of an undertaking (care of materials, products, etc.) is thoroughly aroused, and that the sentiment of solidarity is developed and bears its fruits.

In a letter dated the 7th of July, 1883, M. Billon wrote to me :—

I have nothing new to tell you in regard to the practice of participation, and can only confirm my previously expressed opinions.

* *Participation des Ouvriers aux Bénéfices des Patrons*, par Jean Billon. Genève, H. Georg, 1877, pp. 28, 30, 31.

Before quitting the methods practiced in individual houses, I will roughly indicate the amount of progress which the system has as yet made, and the varieties of industry to which it has been successfully applied. Putting together the most recent data, I shall be below the mark in saying that *one hundred* Continental firms are now working on a participatory basis. The principle has been introduced with good results into agriculture; into the administration of railways, banks and insurance offices; into iron-smelting, type-founding and cotton-spinning; into the manufacture of tools, paper, chemicals, lucifer-matches, soap, card-board and cigarette-papers; into printing, engraving, cabinet-making, house-painting and plumbing; into stockbroking, bookselling, the wine trade and haberdashery.

This list does not profess to be anything like complete, but it will probably suffice for the purpose now in view. The establishments which it summarizes differ in size and importance as much as in the character of the industry which they pursue, from the paper-mills of M. Laroche-Joubert at Angoulême with their fifteen hundred workmen, to the establishment of M. Lenoir at Paris with its forty house-painters. I may add that the movement is making decided headway, a considerable number of houses having given in their adhesions during the last four years.

The benefits accruing from participation successfully practiced may be thus summed up. It furnishes to the workman a supplementary income under circumstances which directly encourage, or even by a gentle compulsion actually enforce, saving; and, by associating him in a very real sense with his employer, it arouses aspirations from which great moral improvement may be confidently anticipated. The employer, besides sharing in whatever surplus profits are realized by the more efficient labor which participation calls forth, obtains the boon of industrial

stability and the support of a united corporate feeling elsewhere unknown. Independently of these advantages to the two parties directly concerned, the customer of a participating house finds in its very organization a guarantee for enhanced excellence of workmanship and rapidity of execution.

On the facts set out in this Essay it seems natural to ask whether there is any reason why a system which is producing abroad results of so much value should not prove equally beneficial if properly introduced among ourselves. It is no sufficient answer to point to half a dozen English experiments in which the system after a few years of trial was finally abandoned, and say that the principle "has been tried and has failed." In order to infer from the abandonment of a system the unsoundness of its central principle, evidence must be forthcoming to show that the evils which led to the failure were necessary consequences of the principle. This has certainly never been proved with respect to the unsuccessful English experiments; and my confident belief is that, in the most conspicuous cases of failure both here and on the Continent, the causes which led to the break-down can be shown to have been extraneous to the principle of participation.

A more satisfactory mode of investigating the adaptability of the system to English circumstances lies in ascertaining, first, what are the conditions under which it promises an economic success, and next, whether those conditions hold to any important extent in this country.

The fund on which participation draws is the surplus profit realized in consequence of the enhanced efficiency of the work done under its stimulating influence. Such extra profit is, therefore, obtainable wherever workmen have it in their power to increase the quantity, improve the quality, or diminish the cost price of their staple of production by more effective exertion, by increased economy in the use

of tools and materials, or by a reduction in the costs of superintendence. In other words, the surplus profit realizable will depend on the influence which manual labor is capable of exerting upon production. Evidently, therefore, this influence will be greatest in branches of industry where the skill of the laborer plays the leading part, where the outlay on tools and materials bears a small ratio to the cost of production, and where individual superintendence is difficult and expensive. It will, on the contrary, be least effective in industries where mechanism is the principal agency, where interest on capital fixed in machinery is the chief element of cost price, and where the workmen, assembled in large factories, can be easily and effectively superintended.

Participation would, therefore, be applied with the best prospects of success to such industries as agriculture, mining, building, carpentering, decorating, etc., where wages form a leading element of cost; while the least promising field would be supplied by cotton-spinning, weaving, and other machine-dominated branches of production. That agriculture offers a peculiarly valuable opening will not be doubted by those who are acquainted with the extraordinary results attained during Mr. John Scott Vandeleur's Irish experiment at Ralahine, in the years 1831-33 where an intelligently planned system of profit-sharing scored a complete local triumph over an acute crisis of agrarian discontent and outrage.*

In coal-mining I am assured on excellent authority that a great amount of preventible waste is occasioned by timber, plates, etc., being carelessly buried under *débris* and thus finally lost. That much time is frittered away, and much material and gear wastefully dealt with by artisans employed in the house-industries to which I have referred, will not be disputed. It is clear, then, that English workmen have it largely in their power to

enhance profits by contributing better and more economical labor. That they will be ready to make the more assiduous efforts involved in such labor as soon as they have thoroughly grasped the motives for increased zeal which participation holds out, appears to me equally certain. If, however, the experiment is to be tried, it is obviously from the employers that the initiative must come. They will, of course, make no trial of the system without a preliminary study of the methods adopted on the Continent, with regard to which so much trustworthy information has now been accumulated by French and German research. In view, however, of the great results which participation seems to promise in raising masses of the laboring population out of the *prolétaire* or hand-to-mouth class, and thereby drying up a main source of our national pauperism, it is to be hoped that employers of labor, productive or distributive, whether on a large or on a small scale, will consider that a complete examination of the whole subject, undertaken with a direct view to practical action, is urgently called for.

ESSAY III.

PROFIT-SHARING IN INDUSTRY*— (Continued).

THE system of remunerating labor which assigns to workmen, over and above full market wages, a share in the profits realized by the concern which employs them, has made on the Continent, and especially in France, an amount of headway little suspected even by the leaders of British industry. It was, therefore, with peculiar pleasure, that I accepted the invitation of your Committee to lay before this Society a group of facts and arguments which I felt, in the existing

* See Appendix to Essay V.

* Paper read before the Manchester Statistical Society, January 10, 1883.

strained relations between capital and labor, could not but be worthy of attention at the headquarters of British industry.

My aim during the preparation of the paper now to be read has been:—First, to state what steps have been, and are now being, taken in France, with the object of informing public opinion on the results already attained by profit-sharing; next, to set out somewhat fully the mode in which that system is organized and worked in a particular establishment selected as a model typical instance; and, in the last place, to state the chief benefits conferred by the system, examine the main objections advanced against it, and say a few words on the question with what prospect of success it might be tried in the productive and distributive industries of this country.

My opening topic, then, is the action taken in France to attract public attention to the principle of profit-sharing.

At a meeting of heads of industrial establishments held in Paris on the 30th of November, 1878, it was decided to form an association having for its object "to facilitate the practical study of the various systems under which workmen participate in profits." The means employed by the Society were to be the formation of a reference-collection of printed and manuscript matter bearing theoretically and practically on profit-sharing, and the publication in quarterly numbers of an annual bulletin* containing some two hundred pages of information on the progress of the participatory movement.

A few passages which I translate from the preface to the first volume of the *Bulletin*, dated the 1st of March, 1879, will show in how thoroughly business-like a spirit this work was taken in hand—

The Society is resolved to preserve to its studies an absolutely practical character,

* *Bulletin de la Participation aux Bénéfices*. Paris, Chaix.

and in order to give unmistakable expression to this determination, decides to admit to membership in its body none but persons actually engaged in manufacture or commerce. It will doubtless turn to account statements of fact or opinion which may reach it from any quarter, or which it may find in the writings of publicists and men of science, but according to an article of its statutes it can seek its members only among chiefs of industry, that is to say, among men entirely competent each in his own branch, directly interested and continuously responsible, charged with the direction of a more or less numerous body of workmen, and therefore, in general, but little accessible to empty theories, rash generalizations or speculative systems. In everything, writes to us one of our Alsatian supporters, who himself practices participation, it is necessary to beware of mere theorists, but especially in social questions, and to make advance in them with the greatest prudence. . . . We admit, as legitimate in such matters, only the experimental method applied with discernment and without hasty and premature conclusions. . . . We expressly disavow all intention of calling forth or sustaining controversies, which are too often barren of result. Our sole aim is to make known to all what has been done by some, and to place trustworthy documents and facts carefully verified in the hands of those, already numerous, industrialists who are seeking with perseverance, but without illusive preconceptions, for efficacious means of conciliation and mutual understanding.

I conceive that after these re-assuring explanations the most resolutely "practical" man present may dismiss the idea that the French Participation Society is made up of visionary amateur philanthropists, with heads as soft as their hearts, who ought not to be listened to by men conversant with the stern realities of actual life.

The *Bulletin* has published a mass of valuable information on profit-sharing, the most important part of which consists in textual reproduction of the regulations under which that system is practiced in different establishments of repute, chiefly in the French metropolis. It is concurrently bringing out, in an appendix to each number, a French translation of Böhmert's great German work,* originally published in 1878, containing particulars of 120 cases of profit-sharing in va-

* *Die Gewinnbetheiligung*. Leipzig, Brockhaus.

rious countries of the old and new worlds, the materials for which were obtained by a private correspondence of an extent to have utterly daunted a writer of any other nationality.

In France, profit-sharing has recently become a question of official cognizance both in the metropolis and the provinces. A commission was appointed by decree of the Prefect of the Seine, on the 27th of January, 1882, to examine, *inter alia*, "under what conditions it would be possible to require of persons taking contracts for work from the City (of Paris) or the Department (of the Seine) that they should admit their workmen to a share in the profits realized by their undertakings." M. Charles Robert, President of the Participation Society, was summoned to give evidence before this Commission, and requested to procure for its information a formal expression of opinion from the committee of his own society. That committee, after holding two long sittings on the question brought before it, recommended by a large majority of votes that no attempt should be made to enforce participation on the contractors, but that to such of them as should establish that system in their business a special premium should be given on every public contract executed by them in a thoroughly satisfactory manner. On the 2d of May, 1882, the Commission reported, almost unanimously, in the direction recommended by the committee of the Participation Society.

On the 8th of June, 1882, a committee of the Chamber of Deputies reported on two Bills brought in by M. Ballue and M. Laroche-Joubert respectively, which aimed at a far wider extension of similar measures. The Bill of M. Ballue proposed to enforce participation on all individuals or associations to whom the State, the Departments or the Communes assigned any continuous exclusive rights of possession or use. The measure advocated by M. Laroche-Joubert proposed to apply the same compulsion to all contractors execut-

ing work even of the most temporary kind at the cost of these public bodies. I quote a few passages from the Report of the committee on these two Bills, as indicating the point of view taken of profit-sharing in French parliamentary circles:—

We begin by giving full expression to our colleagues of the feeling of satisfaction with which we see brought before the Chamber proposals touching so closely one of the great questions of our time, the equitable distribution of the produce of labor. Participation by the workman in the profits which he co-operates in producing is one form of association—that as yet ill understood and imperfectly studied lever—the high social importance of which can no longer be overlooked. This application of a great principle has already passed beyond the region of mere theory, and has received in large measure the sanction of experience. . . . Participation, under all the varied forms which it has assumed, can point to brilliant attained results. . . . It would be worthy of the Chamber to have imposed on public administrations by legislative enactment the obligation of applying, within the sphere of their own undertakings and of the rights conceded by them, the easy procedure of participation, whose merits no longer require demonstration, and to have thus, on the ground where the State is master, sought to dry up the sources of industrial conflict by introducing arrangements based on justice, which are wiser and more efficacious than measures of repression.*

The Report concludes by recommending that the Bills of M. Ballue and of M. Laroche-Joubert be both taken into consideration by the Chamber, inasmuch as the former tends to introduce more widely a social reform already proved to be salutary, while the second, though requiring amendment in respect of the too sweeping terms in which it is couched, also rests on the same solid foundation.

It is obvious that proposals for municipal or State interference between employers and employed require to be, and at Manchester assuredly will be, examined with scrupulous and even jealous care. There will be many shades of opinion on the subject, including that entertained by the

* *Bulletin*, 1882, p. 72.

minority on the committee of the French Participation Society, who were for rejecting such interference altogether. Profit-sharing, however, ought to be discussed entirely apart from proposals of this kind, which I am far from wishing to raise a discussion upon this evening, and have mentioned only in order to show how considerable a position in the deliberations of leading public bodies the topic of participatory industry has already attained in France.*

Limits of space would render useless an attempt to survey, in a single paper of reasonable length, the whole field of my subject, or even to examine with satisfactory fullness the organizations of more than one profit-sharing house. It may perhaps be expected by some of my hearers who are familiar with the history of participation that, this being so, I should almost of necessity select as my type-instance the *Maison Leclaire*, which, by reason of priority in date, elaborateness of organization and grandeur of attained results, occupies an absolutely unique position.

There are, however, I conceive, valid reasons which dictate a different choice. The *Maison Leclaire* is neither a private firm nor even a joint-stock undertaking, but a permanent Foundation, holding toward other industrial establishments the position which endowed places of education like Eton or Winchester occupy when compared with schools supported only by the funds of individuals or of private associations. Now, my present object is to describe—not an institution of a unique and scarcely reproducible kind—but a profit-sharing house of the best type which, like other firms, has only private financial legs to stand upon. I will, therefore, bespeak your attention to a great Parisian printing,

publishing and bookselling house—the *Maison Chaix*—which supplies literature to the French railway book-stalls, and has been, though but inadequately, described as Bradshaw and the Right Hon. W. H. Smith rolled into one. I have selected this firm for description, partly because of the admirable manner in which participation is organized and worked in it, and partly because a visit paid in the spring of last year justifies my speaking of its arrangements with the confidence bred of even slight personal inspection.

Previously to 1872 the house was managed on the ordinary system. Profit-sharing commenced from the 1st of January of that year. M. Chaix announced his intention of assigning to his regularly employed staff of workmen and clerks, under specified conditions as to length of previous service, a share in the net profits realized by the house—the amount of such share to be independently fixed in each successive year by M. Chaix himself. The sum thus allotted was to be divided into three equal parts, to be separately dealt with as follows:—

The first to be handed over each year in cash. The second to be paid to a provident and pension fund. The third to be likewise paid to this fund, but to be available for beneficiaries only on attaining sixty years of age, or after twenty years of uninterrupted work in the house.

The amount constituting the cash bonus was to be distributed among the individual recipients in proportion to the sums which they had respectively received in wages or salaries during the year for which the distribution took place. All *employés* who could show three years of continuous presence in the house were on the 1st of January, 1872, admitted as participants, but for the future there were added two other conditions, viz., proved competence and zeal in their calling, and a written application for admission handed in to M. Chaix.

The first third-part of the share in

* A volume just issued by order of the Minister of the Interior containing more than 500 pages of evidence on Profit-Sharing, taken before his commission of inquiry on workmen's associations, affords a further indication to the same effect.

profits having been handed over in ready money to the participants, the second was to be divided into like portions, and each paid into a savings account opened in the name of its recipient. The house undertook to add to the sums standing in these accounts yearly interest at the rate of four per cent. as long as they remained in its custody. The accumulated capital thence resulting could be claimed by a participant either on completing sixty years of age or twenty years of work for the house, or on quitting its service, for whatever reason, at an earlier period.

The remaining third-part of the share in profits was to be treated like the second, and also to receive interest at four per cent., but its accumulations were only to reach beneficiaries on their definite retirement after having attained the full term of years or of service stated above,* and the families of such participants as should die while on active work for the house prior to the completion of that term.

The objects which M. Chaix had in view when making these arrangements cannot be better expressed than in the following words of his own :—

† In giving to the *personnel* of his establishment an interest in the annual profits, M. Chaix proposed to himself a twofold object.

He desired, in the first place, to improve the present material condition of the workmen, workwomen and clerks of the house, by enabling them to draw each year a sum entirely distinct from their wages or salaries; and next, to create for them in the future a capital of which they might dispose, either for their own profit or for that of their families.

M. Chaix thinks that these new arrangements ought to result in the establishment of a moral and material bond of union between the house and those employed in it, of such a kind that the house may derive an advantage from it in respect of the thorough and rapid execution of work.†

Since the establishment of profit-sharing in 1872, the reports presented by the committee of management, and the addresses delivered by M. Chaix at each successive annual meeting of the participating workmen, afford detailed evidence of the steadily increasing success which has attended the working of the system just described. I propose to set out very summarily the material and moral results thus attained.

The number of persons admitted as participants at the inauguration of the system was 117. There have subsequently been admitted 437, bringing the total up to 554. If from this number be deducted those who have taken their retirement, died or quitted the house, there remained 354 as the number of participants on the books on the 1st of January, 1883.

M. Chaix has annually assigned to his *employés* fifteen per cent. of the net profits realized. The total sum thus allotted during the ten years from 1872 to 1881 was £25,991, of which £6242 was paid over in cash bonuses. The share in profits allotted in each year averaged seven and a half per cent. on the total of wages and salaries—*i. e.*, two and a half per cent. handed over in ready money, and five per cent. laid up for future accumulation. The accounts standing in the names of participants of various grades in the house were, on the 31st of December, 1881, as follows :—

No. of ac'ts of £300 and upward.....	5
" " from £200 to £300.....	9
" " " £100 to £200.....	39
" " " £80 to £100.....	8
" " " £60 to £80.....	19
" " " £40 to £60.....	32
" " " £20 to £40.....	58
" " of £20 and under.....	164

334

* Accounts lapsing through the non-fulfilment of these conditions were to be distributed among the accounts of the remaining participants in proportion to the sums already standing in them.

† This and the following quotations from statements made by M. Chaix are taken from printed reports annually issued by the house.

The pecuniary results attained in 1882 contrasted very unfavorably with those of the previous years. Fifteen per cent. on the net profits realized yielded to each participant only one and a half per cent. on his year's

wages. This unsatisfactory state of things is attributed by M. Chaix to industrial depression, combined with intensified competition in the printing trade, especially that exerted by the *Imprimerie Nationale*, a State printing establishment armed with monopolistic claims upon all the public departments, and supported out of general taxation, so that it is able to combat private firms with resources to which its competitors are themselves obliged to contribute.

At the opening of 1883 the 354 participants formed about one-third of the total number of *employés*. A greater ratio would, doubtless, have been shown but for the fact that in 1881 the number of persons employed by the house was very largely increased, and that a considerable proportion of them had therefore not yet had time to complete the period of probation required to qualify them as participants.

A few extracts translated from M. Chaix's addresses to the annual meetings will best show his opinion of the moral benefits resulting from the system.

On the 5th of April, 1874, he said :—

I have ascertained with satisfaction that the introduction of profit-sharing has, as I hoped it would do, developed the zeal of those interested in it: each one takes more interest in the work assigned to him and executes it better and more expeditiously.

On the 28th of March, 1875, M. Chaix said :—

If there be a spectacle which should satisfy the friends of social peace, it is assuredly that presented by the industrial family of this establishment, when, at the completion of the year's work, it is gathered together in order to learn the results of our joint exertions, and the amount of its allotted share in the profits realized. No institution is, indeed, better adapted to draw close the bonds which unite you to the house, and to inspire you with confidence in the future, than participation which has enabled me to constitute for your benefit, not only certain immediate advantages, but also an economized capital which has for some among you already reached important dimensions.

The address of the 13th of April,

1879, contains the following passage :—

In what concerns the execution of work in the workshops and in the offices, I find around me such an amount of willing zeal that I give the main credit for this excellent state of things to profit-sharing, and congratulate myself more and more on having set that principle working in the house.

At the meeting on the 17th of April, 1881, M. Chaix, after rapidly sketching the progress made in public estimation by participatory industry, continued as follows :—

In one word, economical theory and practice have henceforth to reckon with this new system, and I am profoundly convinced that if those who are indifferent or hesitating could be present when the account of a participant of some standing is closed, they would—on witnessing the satisfaction with which the old workman or his widow receives his capitalized property—comprehend the extent of the service rendered to the laboring class by this patient accumulation of savings and resolve to practice it themselves. Certainly participation is no universal panacea, nor the last word of social well-being, but I do not hesitate to affirm that it constitutes an incontestible advance upon the existing system of the organization of labor. You know what the old trade guilds were; you know how firm a bond united all their members and kept actual misery from the workman's door. But these guilds, whatever the good with which they may justly be credited, were a hindrance to freedom of labor. . . . They were accordingly abolished, like all other privileged institutions, and the absolute independence of the workman was proclaimed. This independence created a new evil, worse perhaps than the abolished privilege; it created the isolation of the workman, and the antagonism between capital and labor. Among all the systems which have been devised in order to restore the old union of interests without impairing the liberties newly conquered, participation is assuredly one of the best. . . . It is possible that experience may suggest in the future a different method of organizing participation from that adopted in our house. But be this method what it may, it will, I entertain no doubt, lead to an understanding between capital and labor, to a reign of peace and harmony under which, without encroaching on the rights of property, it will be possible to give to intelligence, to activity and to devotion their legitimate share. Then this disastrous schism and huge isolation which have existed in industrial society for the last ninety years will hasten to their close. This just balance of interests and rights will

render the workshop more moral, while instruction, abundantly given in technical schools, will raise the intellectual level of our young workmen. Without losing sight of our liberties, we shall thus recover the harmony from which the old trade guilds drew their strength.

During a visit paid to the *Maison Chaix*, in the spring of 1882, I had long conversations not only with the chief of the establishment, but with heads of departments, foremen and other members of the house. As far as I could learn, the participatory principle was held in the utmost esteem, and its application had proved free from any serious difficulty. The only complaint I heard came from an old foreman who was not quite satisfied with the rate at which the principle was producing the moral results he expected from it.

Before closing this necessarily very inadequate account of a model establishment, I wish to say a word or two on an institution existing within it which, though to be found in perhaps only two or three other participating houses, has an important bearing on the future welfare and progress of profit-sharing.

M. Chaix has organized for the apprentices of his house an *école professionnelle*, or course of special instruction destined to make them thoroughly competent artificers, well-informed men and useful members of society. The theoretical portion of the course is given in class-rooms specially devoted to the purpose by instructors who are themselves superior *employés* or foremen of the house, or, in some few cases, professional teachers imported from without. The programme of subjects to be studied by the compositor-apprentices falls into three divisions. The first comprises the language, history and geography of France, arithmetic and elementary geometry in special relation to typographical problems, and book-keeping. The second division embraces the whole subject of typography technically treated, together with notions of lithography and

engraving, and some acquaintance, for professional purposes, with Latin, Greek, German and English, printed and written.

The third division sets out with considerable fullness the history of printing and of printed books, and, by supplying detailed biographical notices, encourages the future compositor to dwell with a feeling of corporate pride on the lives of those by whom the great and beneficent steps in the art of printing were made, and who constitute in a sense his spiritual ancestry.

The programme closes with some elements of Physics and Chemistry in their leading applications, and a careful selection of such parts of Political Economy and Law as bear directly on the industrial welfare of the workman, and on his rights and duties as a citizen.

The house not only defrays the entire cost of maintaining the apprentice school, but credits each pupil with ten centimes for each satisfactory attendance at it. The sum thus accruing to an apprentice is paid over to him each month as pocket-money.

An informality accidentally committed at the first establishment of the *école professionnelle* attracted to it the special notice of the Minister of Public Instruction. In France, as is well known, a preliminary Government authorization is required from every one who proposes to open a school. M. Chaix seems to have thought this provision not intended to include so strictly internal and almost domestic a system of tuition as that just described. At any rate he started his courses without informing the Government, and worked away at them for some time without any misgivings as to the consequences of this omission. At last a friend arrived in great consternation to tell him that he had already rendered himself liable to a heavy fine, and that the best thing he could do was to shut up his school forthwith, and trust to the affair not reaching the

ears of the Government. M. Chaix took the precisely opposite course of writing straight to the Minister of Public Instruction, explaining frankly what had occurred, and asking for a Bill of Indemnity. M. Duruy, then head of the Education Department, at once paid a visit to the *Maison Chaix*, and personally inspected the *école professionnelle*, of which he expressed a warm approval. On being informed by M. Chaix that the apprentices were allowed ten centimes for every attendance, the Minister laughed very heartily, and said, "Why, people are constantly attacking me for my advocacy of *gratuitous* education, and here are you outdoing me by paying your pupils for consenting to be taught."

This visit was soon followed by a present of some handsome prizes for the best pupils of the school, from the Minister of Public Instruction.

When I was at the *Maison Chaix* I not only saw the apprentice-school in active operation and satisfied myself as to the excellence of the work done both by teachers and learners, but asked every man whom I came across in the house his opinion on the results of the institution and on the nature of its organization. The unanimous reply was, that between two lads equally situated in other respects, one of whom had served his apprenticeship under M. Chaix, and the other in a house conducted according to the ordinary routine, *no comparison at all was possible*. The one was a practically and theoretically accoutered and accomplished workman. The other was a mere rule-of-thumb practitioner, who knew nothing thoroughly, and whose intelligence had received no cultivation whatever. There was equal unanimity in holding that by no other system than a course of instruction given in the house itself, and exclusively controlled by the executive of the firm, could results be looked for at all approaching those attained in the *Maison Chaix*.

The following inherent advantages

of such a system were, among others, urged in support of this view:—

1. The practical instruction of the apprentices at the machines can be given at hours when the foremen and the machines are most at liberty; at seasons of unusual pressure these hours can be shifted about at pleasure, or some theoretical branch of study temporarily substituted for the technical instruction, until such time as diminished pressure shall allow this subject to be resumed and brought up to its proper position in the course.

2. Due regard can be had to modes of technical procedure special to the establishment, which in a leading house are neither few nor unimportant.

3. The knowledge gained by the foremen of the character and habits of the apprentices during their hours of ordinary industrial work is of great value when communicated to their teachers in the school.

4. The direct control exerted over the school by the head of the house enables him to form, in the most natural way, permanent friendly relations with his future workmen.

In passing at this point from a veritable *maison d'élite* whose institutions would well repay far more detailed study, I may state a fact which is in itself the strongest testimonial in favor of the participatory principle. In the year 1881, the establishment ceased to be a private firm and was turned into a joint-stock company. The Directors of the new undertaking were unanimously in favor of retaining the principle of participation, administered on the liberal scale previously adopted by the private firm, and the general meeting of shareholders adopted, likewise with absolute unanimity, a resolution carrying that recommendation into effect.

I quit at this point the specification of results attained in particular houses, in order to take a rapid survey of the benefits, both to employers and employed, which have been generally found to follow the introduction of well considered and wisely administered schemes of industrial profit-sharing. It will be advisable to notice concurrently a few facts of familiar observation on which the system before us, regarded from a purely economical point of view, will

be seen to be securely based. I may perhaps most conveniently begin with these latter.

Two equally capable and energetic men, one of whom is working on his own account and the other performing at fixed wages services which have for their object the enrichment of an employer, notoriously present two very different standards of activity. The former is full of enterprise and alacrity. The latter is wont to be slack and unaspiring and disinclined to make any effort bodily or mental not included in the average standard of performance recognized by his fellows. Where piecework prevails, the above remark ceases to be applicable as far as mere quantity of production is concerned; but the contrast remains as great as ever in respect of the alertness of eye and brain to avoid waste of materials and injury to plant and tools, to suggest reforms in current technical procedure, to improve quality, and, generally speaking, to attain an enhanced commercial result by other methods than piling up a maximum of such work as will only just pass the scrutiny of the examiner appointed to check it. In short, full exertion of bodily and mental powers is obtainable only from men whose own interests are fully engaged in the result of the work to be performed.

This being so, it may reasonably be argued that the unsatisfactory quality of industrial work now so generally complained of is due to the fact that the existing organization of labor makes no provision for enlisting the workman's active zeal on the side of the ultimate returns to industrial undertakings. That workmen could by applying more zealous labor exert an effective influence in the direction of enhanced profits is, in most branches of production, undisputed and indisputable. The main openings for such influence may be roughly summed up under the four following heads:—

1. Increased production due to the

cessation of all deliberate waste of time during the hours of work.

2. Diminution in costs of superintendence, much of which could be dispensed with if it were no longer necessary to extort work by the fear of detected idling and consequent dismissal.

3. Saving to be effected by more thrifty and thoughtful handling of materials, machinery and appliances of all kinds.

4. Improvement in quality of production, due not only to bettered individual work, but also to advances in technical procedure suggested by the ingenuity of the artificer brought to bear fruitfully upon the facts of his daily experience.

Manifestly, then, if the zeal of the workman could be adequately aroused to call forth sustained labor of this zealous type, enhanced profits would accrue to those industrial establishments which were fortunate enough to secure its services. Such establishments would, therefore, be in a position to allot a share in profits to their *employés* without necessarily making any pecuniary sacrifice themselves. We have here the *à priori* justification of profit-sharing viewed from an exclusively economic standpoint—the expectation, namely, that more efficient labor will be called forth, and thus new profits secured which would not accrue under systems where the workman was not directly interested in the final results of enterprise. It is most important to bear constantly in mind when profit-sharing is being discussed that the system, far from being a scheme for enriching workmen out of the pockets of their employers, has at its command potential energies capable of opening an entirely new source of profits, and so of creating the fund which it proposes to distribute.

In addition to being a source of direct pecuniary advantage, profit-sharing brings about manifold beneficial results, which I take the liberty of laying before this Society in the

terms in which I described them to the Economy and Trade Section of the Social Science Association in October, 1881.

"It introduces into the relations between employers and employed a remarkable and sorely needed stability and peace. Violent fluctuations in the rate of wages are avoided, inasmuch as the workmen, knowing that at the end of the year they will receive their appointed share of whatever prosperity has in the course of it visited the concern which employs them, no longer see occasion to demand a rise of wages whenever heavy orders are known to have come in. A strike, too, will be far less readily resorted to by men who have come to perceive that such a measure not only stops their wages for the time being, but inflicts a further injury on them by curtailing the profits divisible at the year's end.

"The strong corporate feeling which prevails in a well organized participating house is also a great support to its managing head. He no longer has to contend with the class spirit which, under the ordinary conditions of remuneration, so uniformly bands together the workmen against their employer. On the contrary, he finds himself, in any act of necessary severity, backed up by the public opinion of the workshop which, under the salutary teaching of participation, has learned that a lazy, dissolute or dishonest artificer is as much a source of loss to his comrades as to his employer. This educational power, inherent in the system, leads to many beneficial results. It encourages practical study of the economic conditions under which profits are realizable. It sets the most intelligent workmen on the alert for possible improvements by which more produce can be turned out, or fresh economies effected. M. Chaix tells how, soon after he had introduced profit-sharing into his house, two of his compositors proposed that their frames should be put closer together so that they might be able to set up

type by the light of a single lamp, and thus avoid the waste involved in burning two. He also found some of his clerks practicing a rather overstrained economy by sending out proof-sheets in soiled envelopes which had already passed through the post.

"To the workman the allotment of his share in profits in a sum entirely distinct from his wages affords a valuable encouragement to saving. Inquiries made in important houses where annual cash distribution takes place have shown that the sums thus received have been, for the most part, either placed in sound investments or spent in sensible ways not involving a raised standard of outlay and a consequent increase in the price of commodities. In houses which retain the share in profits of their *employés* for a given number of years, sums relatively very considerable have been accumulated at compound interest to the credit of the beneficiaries. The advantage to a working man of possessing a small capital on which to fall back when his powers of self-support are checked by illness, or exhausted in old age, is too manifest to need insisting on."

More important than even these material benefits is the inspiring consciousness felt by the workman that he is no longer treated as if he were a mere productive machine, but has become, in a real though restricted sense, a co-partner with his employer. The workpeople of a factory at Geneva have given animated expression to this feeling;* and I know of an instance in which a clerk employed in an English house where, in addition to a fixed salary, he received a share in profits, refused to quit its service for a more lucrative post remunerated by fixed salary only, assigning as his reason that he preferred the higher status involved in participation to larger total earnings obtained at the cost of relinquishing it.

It is now time that I should state,

* See *supra*, p. 16.

and briefly reply to, the principal objections which have been alleged against the system described in this paper. The instances which I am about to give embody the strongest adverse arguments with which I am acquainted.

Objection 1.—It is unjust that workmen should share in *profits* unless they are willing and able to share in *losses* when these occur. If they receive an amount additional to wages in a good year when a profit has been realized, they ought to be prepared to pay back something out of wages in a bad year when a loss has been incurred. Participation, as it involves no such liability on the workman's part, is necessarily a one-sided and therefore an essentially unjust arrangement.

Reply.—It is not true, as this objection takes for granted, that workmen contribute nothing toward losses. We have seen that under successful participation additional profits, due to the more zealous efforts of the workpeople, are realized. A part only of this surplus is, as a rule, allotted to labor. The remainder which goes into the pocket of the employer, may, since it is exclusively produced by the workmen, be with strict propriety regarded as their contribution toward his future losses in bad years. Further, it must be remembered that participating workmen incur a positive loss whenever there are no profits to divide—the loss, namely, of all the extra care and exertion which they have expended in the prospect of a share in profits to accrue at the year's end.*

Objection 2.—If workmen are once permitted to share in the profits of a concern, they will presently insist on overhauling its books, and even on thrusting themselves into its business management.

Reply.—This objection is one of a whole group founded on the as-

* In some houses a reserve-fund maintained out of profits enables workmen to share *directly* in losses.

sumption that working men are, as a class, incurably obstinate and utterly unreasonable beings. There have undoubtedly been a few isolated cases where the introduction of profit-sharing has been followed by so arrogant and insupportable an attitude on the part of the men admitted to it, as to compel the withdrawal of the system. But there is ample evidence to show that only under very exceptional circumstances have such results been encountered. No tendency to encroachment has as yet shown itself in the best participating houses, and a foreman at the *Maison Chaix*, to whom I mentioned the objection to the system felt on this ground by some employers, characterized such fears as destitute of all solid foundation. In order, however, to deal quite frankly with the objection in hand, I may express my personal conviction that in proportion as participating workmen feel themselves qualified by improved general education and more thorough technical knowledge to exert some share of influence on the management of the concern in which their own interests are bound up, they will gradually acquire the power of exerting that influence. I cannot see how the advantage of such co-operation of individual intelligences, each within the sphere of its special competence, can possibly be denied, unless on the assumption that the employer's brain is so complete a storehouse of every known fact and of every practicable device that no contribution from the circle of his workmen could have for him a shred of novelty or of suggestiveness.

Objection 3.—In years when no profits are made the workmen will consider themselves defrauded of what is their due, and will regard their employer as an actual defaulter.

Reply.—This is another specimen of the objections based on the assumed irrationality of the working classes. The probabilities are, however, the other way, inasmuch as the stimulated intelligence of participating workmen is far more likely to

guide them to a just judgment as to the real causes of industrial want of success than is the torpid indifference bred, among non-participating workmen, by exclusion from all share in the fortunes of the house by which they are employed. This view is confirmed by the fact that, in a house at Geneva, where the badness of trade in the year of the Russo-Turkish War forbade the division of any profit, the result, so far from producing reclamations on the side of the workmen, drew from them only the sensible remark that they were better off than their fellows in other houses in a good year, and had as high wages as they in a bad one, so that on the whole they had reason to be well satisfied with their position.*

Objection 4.—It may be very disadvantageous to a concern if the rate of profits which it is making becomes publicly known. Under some systems of participation, information from which the rate of profits can be immediately calculated is actually published each year, and in most cases it could be very approximately estimated. Profit-sharing is therefore unfavorable to commercial success, and places houses which adopt it under a distinct disadvantage.

Reply.—It is, no doubt, advantageous to a branch of trade, or individual house in that branch, which is realizing an exceptionally high rate of profits to keep the fact secret, because, were it to become generally known, capital might be attracted into the business from other investments, and profits be reduced by the increased competition thence arising. It is, therefore, not improbable that employers having capital invested in a concern which brings them an exceptional rate of interest, may, if they are led solely by the desire to retain those profits at their existing level, think it best to avoid incurring whatever publicity attaches to a participating system, though that publicity is not necessarily so considerable or in-

evitable as the objection assumes. Still, subject to this limitation, the objection has a certain validity. The branches of industry to which it applies are, however, by the nature of the case, only a small minority compared to the great mass of business undertakings which realize only the average rate of profits. These considerations suffice to show that the publicity attendant upon participation, even though it were as complete as some very competent advocates of the system think it ought to be, constitutes no real obstacle to the general adoption of profit-sharing, but only a hindrance to its application in certain exceptional cases.

In estimating the comparative force of the above objections and replies, you will be helped by knowing on which side of the question at issue is to be found the more practically experienced, and therefore the more trustworthy, body of opinion. This piece of information cannot be given with more authority than in the following words in which Professor Böhmert sums up a very full examination of the opposing arguments:—

Most of the judgments pronounced against participation in profits emanate from men of business who have either never tried the system at all, or else only to an inadequate extent or for too short a time. The unfavorable judgments upon it coming from workmen originate likewise in circles possessing no knowledge derived from actual experience. On the other hand, it is precisely from those employers who have most thoroughly developed the system that we receive decidedly favorable judgments and experience. . . . The actually participating workmen likewise communicate their approval of the system in the liveliest terms.—Vol. i. pp. 215, 216.

When results so considerable in themselves and so far-reaching in their probable consequences as those described in the present paper are being daily realized on the other side of the Channel, it seems natural to ask of a Society like your own, which unites theoretical and practical qualifications for forming a trustworthy judgment, the following question:—Why should a system which has achieved such re-

* See *supra*, p. 16.

markable and eminently desirable results in France, fail to confer like benefits upon English houses which should introduce it with equal hopefulness, organize it with equal forethought and administer it with equal wisdom? On the subsidiary technical question, to what extent it is in the power of operatives employed in such industries as those of Manchester to enhance profits by supplying more zealous work, I am not competent to enter. At mixed conferences where the point has been mooted, I have noticed that the employers present spoke of this influence of labor on profits as likely to be insignificant, while the workmen, on the contrary, expressed the conviction that it would be very considerable.

I will, however, refer to one very important element in the question, with which an outsider may legitimately concern himself,—the probable attitude toward profit-sharing of English trades unions. It is well known that in France such societies are far less powerful, wealthy and militantly organized than in this country. Thoroughgoing opponents of trades unions will doubtless contend that the leaders of those bodies in England will dislike any scheme tending to identify the interests of employers and employed, and do their utmost to frustrate it. Those who argue thus may, I admit, find a certain amount of support for their view in the action of the Miners' Union, which led to the abandonment by Messrs. Briggs and Co. of the most celebrated participatory experiment ever made in England—that tried at the Whitwood Collieries near Normanton, Yorkshire, where profit-sharing, introduced in 1865, was withdrawn by a vote of the shareholders early in 1875.

Nevertheless, in the face of whatever force there may be in such allegations, I maintain that participation in profits gives all that rational trades unionism contends for, and that the union leaders are more likely to wel-

come than to repel any genuine attempt to introduce it.

The system, by its very nature, secures to the workmen at each year's end a share in whatever increased prosperity may, in the course of it, visit the house by which they are employed. Participation, therefore, effects by a continuous and almost self-acting process exactly what trades unionism strives to attain by comparatively ill-informed external pressure involving social friction by which much valuable industrial force is, as in a badly constructed machine, wasted by being turned into heat. If an altered system of remunerating labor promises to confer spontaneously what trades unions have hitherto attempted to exact by coercive measures, what reason is there for assuming that the admittedly able men at the head of those organizations will look on the new system with feelings of hostility?

I am in a position to produce distinct statements from men of authority and influence among trades unionists explicitly disavowing such hostility.

Mr. Burt, M.P. for Morpeth, wrote to me in February, 1880:—

I am glad you are carrying on your efforts in favor of co-partnership, or, as you well express it, participation by the laborer in the profits. I quite agree with your views, and wish you every success.

The two following opinions were given during a discussion on profit-sharing at the Society of Arts in the same month and year: Mr. George Howell said "he could not conceive for one moment that there was any objection to the scheme being tried anywhere, or that any well-organized trade union would raise any objection to it." Mr. Lloyd Jones said "he wished to correct a statement which had been made, that the trades unionists of the country were averse to proposals for the participation of labor in profits. . . . He knew all the leaders in every branch of industry where

trade unionism existed, and he did not know of a single case of hostility to such a scheme."

Assuming that economic conditions are favorable, and trades unions not unfriendly, is there any other essential requisite for a participatory success of the kind described in this paper? I believe there is, and that it consists in mutual confidence between employer and employed. The workmen of a house must feel assured that its chief, when introducing these altered industrial relations, is not merely or mainly led by self-interest, but has their material and moral elevation at heart, and intends to be personally at hand with counsel, suggestion and active co-operation, in order to secure from the participatory system the full benefits which it has elsewhere been the means of conferring on the working classes. The head of the house on his side must be able to rely on the workmen for the zealous, sustained concerted efforts on which the efficacy of the whole system depends.

Of course I am far from meaning to imply that the mutual confidence of which I have spoken must be present at the outset in a developed condition. The very mission of profit-sharing is to unfold, educate and confirm it. Still, it must be present in germ; there must be some willingness on both sides to lay aside the suspicions of the past, and give each other credit in the future for good and unselfish intentions.

Were this feeling entirely absent, or the system even introduced in an atmosphere of determined mutual mistrust, its chance of success would manifestly be most seriously reduced.

Disclaiming all desire to assume a hortatory attitude toward men far more competent than I am to decide the question whether the time has now come for giving participation a thorough trial in British industry, I conclude my paper by placing before you the opinions of two distinguished political economists.

The late W. Stanley Jevons, formerly Professor of Political Economy

in Owens College, Manchester, wrote as follows in an excellent volume—*The State in Relation to Labor*, published only last spring, and therefore containing his very latest judgment:—

The present doctrine is that the workman's interests are linked to those of other workmen, and the employer's interests to those of other employers. Eventually it will be seen that industrial divisions should be vertical, not horizontal. The workman's interests should be bound up with those of his employer, and should be pitted in fair competition against those of other workmen and employers. Then there would be no arbitrary rates of wages, no organized strikes, no long disputes rendering business uncertain and hazardous. The best workman would seek the best master, and the best master the best workman. Zeal to produce the best and cheapest and most abundant goods would take the place of zeal in obstructive organization (p. 145).

The opinion to be next quoted is that of a political economist belonging to a school opposed on many points of importance to that of which Professor Jevons was so distinguished a member and exponent.

The Postmaster-General, Mr. Fawcett, wrote as follows in his work on *Pauperism*, published in 1871:—

It is vain to expect any marked improvement in the general economic condition of the country, as long as the production of wealth involves a keen conflict of opposing pecuniary interests. The forces which men can exert may be completely neutralized, if they are so arranged to contend against, instead of assisting, each other. Similarly, the efficiency of capital and labor must be most seriously impaired, when, instead of representing two agents assisting each other to secure a common object, they spend a considerable portion of their strength in an internecine contest. All experience shows that there can be no hope of introducing more harmonious relations, unless employers and employed are both made to feel that they have an immediate and direct interest in the success of the work in which they are engaged.

I am authorized by Mr. Fawcett to say that he is prepared to repeat, if possible with even stronger emphasis, the favorable opinion on industrial participation expressed in the volume from which I have just quoted. In a

letter written to me during a convalescence which the whole country has watched with heartfelt joy and thankfulness, Mr. Fawcett gives me permission to say that, in the last conversation we had together before his illness, he remarked that "the more he thought of the question of profit-sharing, the greater was the importance which he attributed to the extension of the principle."

The heavy demand which I have made on your attention is now at an end. We have seen that profit-sharing possesses a substantial basis in economical theory, and is in France conspicuously supported by the results of experience. It remains that those with whom rests the initiative among ourselves resolve to give it the trial which seems no more than its due.

ESSAY IV.

PROFIT-SHARING IN THE PARIS AND ORLEANS RAILWAY COMPANY.*

THE Paris and Orleans Railway Company have, from 1844 down to the present time, annually assigned a share in profits to their permanent staff of *employés* of every grade.

The principles on which the individual distribution of this share took place have been repeatedly modified, as will be seen from the following summary of events.

To M. François Bartholony, late Chairman of the Board of Directors, belongs the honor of having, in 1844, suggested to his colleagues the idea of associating the *employés* of the Company in its profits. A committee appointed to examine this suggestion having reported in its favor, a general meeting of the shareholders, on the unanimous recommendation of the Directors, enacted an additional statute worded as follows:—

After the payment of outgoings and the assignment of eight per cent. to the shareholders, there shall be deducted, if circumstances permit, fifteen per cent. on the remaining annual returns, to be distributed by the Board of Directors among the *employés* of the Company on principles to be determined by a regulation which shall be submitted for the approval of the next general meeting.

The regulation thus referred to was approved in general meeting in 1845. Under its terms the Company's officials and *employés* of all grades were divided into three classes.

The first class was composed of the Directors and the Engineers. Each of these was to receive for every thousand francs (£40) of his annual salary, 1-300th of the distributable amount.

The second class contained the remaining heads of department and superior *employés*. Each of these was to draw 1-500th of the divisible sum for every thousand francs received in annual salary.

Under the third class came all other *employés* in the receipt of yearly salaries. They were jointly entitled to what remained of the distributable amount after the claims of the two preceding classes had been satisfied.

The sums assigned to members of the first class were to be paid over in immediate cash.

The annual share of each member of the second class was to be divided into two equal parts: one paid over to him in a ready money bonus, the other compulsorily invested for his benefit in a State security, and not withdrawable or assignable without the consent of the Company.

The individual distribution of the sum falling to the great mass of *employés* constituting the third class was provided for as follows. One-half was to go in rewards for distinguished service, and the other half to be divided among all the members of the class in proportion to their respective annual salaries. The rewards were to be handed over in cash, and the percentages on salaries to be compul-

* This Essay is mainly an abridged translation from the *Bulletin de la Participation* for 1881, pp. 181-208.

sorily invested as in the case of members of the second class.

This method of distribution, applied in 1845 and 1846, was found to yield for members of the third class too small a share. Accordingly the following system was, in 1847, devised and substituted for it. The salaries coming under each class having been lumped, the total for the first class was multiplied by 3, that for the second by 2, that for the third by 1. The shares falling to the three classes were determined by dividing the whole distributable amount into three parts proportional to the above three products respectively. Individual distribution within each class took place in proportion to salaries received. This system, applied to the results of the year 1846, gave for the first class 56·6 per cent., for the second 37·8 per cent., and for the third 18·9 per cent. on the annual salaries received.

The Revolution of 1848 compelled a further change of system. A decree of the Minister of Public Works enacted that thenceforward amount of salary received should be the sole element employed to determine each individual's rate of participation.

The division of *employés* into classes for the purpose of assessing shares in profits necessarily at once ceased. In October, 1848, the question of abandoning the principle of participation was raised on the Board of Directors, but they decided to retain it.

The regulation of 1845, amended in 1847, was again revised and corrected in 1850. A clause was introduced abolishing the system of classing the *employés*, and enacting that their shares in profits should be uniformly distributed by handing over one-third in cash, investing one-third in the Savings Bank, and paying the remaining one-third into the State Pension Office (at that time projected) or into some other insurance office, for the purpose of constituting for each *employé* a life annuity of at least £24 to begin at the age of fifty.

In 1852 three other Railway Com-

panies—those of the "Centre," of Bordeaux and of Nantes—were united with and absorbed in that of Orleans. It was expressly stipulated that the *employés* in the service of these three Companies should thenceforward "enjoy the same advantages of participation in profits as the *employés* of the Orleans Company."

After this fusion profits accrued so abundantly that the fixed charge of fifteen per cent. upon them brought the share of each *employé* to a very high figure—thirty-four per cent. on wages in 1852, and forty-one in 1853. At the general meeting on the 15th of November of the latter year, it was pointed out that these results were not in proportion to those on which participation had originally been calculated, and that there was need of modifying the statutes on this point.

The question having been examined, the general meeting adopted a statutory modification by which the fixed charge of fifteen per cent. for the benefit of the *employés* was replaced by the following arrangement. After eight per cent. had been paid on share capital, fifteen per cent. on the remaining net profits were assigned to labor, provided the year's operations did not yield to the shareholders a total dividend greater than fifteen per cent. on their capital. If this percentage were overpassed, labor was to receive only ten per cent. on the profits exceeding the amount thus defined. Similarly when the year's yield gave a greater dividend than sixteen per cent. on capital, labor's share of the excess above the sum necessary to do this was reduced to five per cent.

On the 30th of March, 1854, a regulation was adopted that, in each year, a preferential charge not exceeding ten per cent. should be made on the sum allotted to the *employés*, and paid to a fund for providing aid in cases of accident, injury or infirmity, help to widows and prizes for distinguished services. This charge was also not to exceed that necessary to make up, with the balance of the

previous year, a maximum of £10,000. This deduction having been effected, the remaining sum was to be allotted in proportion to wages or salaries and paid one-third in cash, one-third to the Paris Savings Bank, and one-third to the State Pension Office.

The above regulation made, as will have been noticed, no essential change in that of 1850. In 1863, however, a fresh regulation appeared which allowed the Benefit Fund to levy as much as fifteen per cent. on the sum available for participation, and altered the principle on which that sum had previously been disposed of. Allotment in proportion to pay received was retained, but division into three equal parts consisting respectively in cash, investment and pension-premium, gave place to the following arrangement.

The share in profits of each beneficiary was in the first place to be employed, *up to ten per cent. on his yearly wage-earnings*, in making annual payments on his behalf to the State Pension Office. Available surplus, *up to a further seven per cent. on the same sum*, was to be handed to him in ready money, and the residue, if any, paid to his Savings Bank account.

The following table shows the number of participating *employés*, and the ratio borne by their shares in profits to their annual wages, for each year from the commencement of Profit-Sharing in 1844 down to 1882. The wages paid are fully on a level with those obtainable from non-participating French railway companies:—

Year.	No. of Participants.	Ratio of Share in Profits to Annual Wages.
1844	719	6·81 per cent.
1845	816	16·66 " "
1846	957	25·53 " "
1847	1269	22·21 " "
1848	1305	1·72 " "
1849	1065	17·73 " "
1850	1025	14·28 " "
1851	1084	22·33 " "
1852	2800	34·11 " "
1853	3365	40·96 " "

Year.	No. of Participants.	Ratio of Share in Profits to Annual Wages.
1854	4,397	25·00 per cent.
1855	4,837	27·00 " "
1856	5,187	24·00 " "
1857	5,765	25·30 " "
1858	5,940	23·10 " "
1859	6,009	23·75 " "
1860	5,991	24·10 " "
1861	6,052	23·50 " "
1862	6,194	22·70 " "
1863	6,742	21·60 " "
1864	6,997	20·67 " "
1865	9,712	14·40 " "
1866	10,181	13·88 " "
1867	10,472	13·23 " "
1868	11,376	12·15 " "
1869	12,220	10·98 " "
1870	12,484	10·00 " "
1871	12,890	12·15 " "
1872	13,727	11·00 " "
1873	14,165	10·60 " "
1874	14,234	10·25 " "
1875	14,481	10·20 " "
1876	15,080	9·76 " "
1877	15,293	9·40 " "
1878	15,321	9·32 " "
1879	15,423	9·26 " "
1880	15,743	9·05 " "
1881	16,085	10·00 " "
1882	16,935	10·00 " "

The entire sum allotted out of profits to the *employés* for the above period is £2,583,378.

Reference to the preceding table will show that from 1864 onwards the ratio of the *employés'* share in profits to their wages steadily declined until, in 1870, it only just reached ten per cent. As the regulation of 1863 permitted no distribution in ready money until this percentage on wages had been paid to the Pension Office, the *cash* dividend to labor necessarily dwindled from 4·4 per cent. in 1865 to *nil* in 1870. The effect of this disappearance of bonus, and of a too restricted application of the Benefit Fund, was thus described by M. Charles Robert before the Paris Social Economy Society on the 1st of May, 1870:—

Participation, doubtless not from fault in the principle, but in consequence of certain administrative proceedings, no longer bears in the Orleans Company the fruits which it produced ten years ago, in 1860 for instance. The spur has become somewhat blunted. Formerly participation procured for those

entitled to it two simultaneous advantages, a yearly bonus and a right to pension. The addition of less productive lines of railway has diminished the distributable amount. Further, the regulation permitting variable sums to be granted to *employés* for distinguished service is worked in such a manner that for the mass of subordinates participation in profits no longer produces either bonus or reward. It is solely equivalent to an eventual right to pension and the *employés* of the Orleans Company henceforth much resemble those of the State Offices.

Applied as, for instance, it was in 1858, participation exercised on the staff of the Orleans Company a considerable influence. The deep and living feeling of a real and serious identity of interests gave to this *personnel* the appearance of a vast family. The *employés* mutually looked after each other. They had constantly in mind the thought of an eventual profit to be shared, of a possible loss to be avoided. Thus every one showed the greatest care in handling the passengers' luggage, and if an *employé* treated it unceremoniously a comrade was not unfrequently heard saying to him, "What are you about? You will shorten our dividend!" I have these details from a witness of authority. . . . But the cash dividend to the staff of the Orleans Company having come to nothing, the zeal and emulation of a good number among them have disappeared together with the hope of this legitimate remuneration. *Cessante causa, cessat effectus.*

The history of Profit-Sharing in the Orleans Company falls into three periods.

The first, which extends from 1843 to 1848, shows a genuine ready-money participation, constituted by a charge of so much per cent. on the receipts distributed at variable rates corresponding to the different classes of *employés* who form the *personnel* of a great company. A very important share was assigned to the executive body, heads of department and superior *employés*.

The second period begins with the Revolution of 1848. Ideas of equality having got the upper hand, the differing rates for different classes of *employés* disappear, and Profit-Sharing among them all takes place in a uniform manner proportionately to wages or salary. The sum allotted to each is now divided into three equal parts: the first is handed over in cash; the second is credited to a Savings Bank account withdrawable only with the

consent of the Board of Directors; the third is paid to the State Pension Office. During this period the share in profits reaches, in 1853, nearly forty-one per cent. on each *employé's* earnings.

The third period, the starting-point of which is marked by the application of the regulation of 1863, and by a diminution of profits, begins with the year 1865. The regulation orders that the share in profits be first applied, up to ten per cent. on wages received, to a payment to the Pension Office. This share is in process of diminution, and there will soon, under the operation of the new regulation, be hardly anything left to be distributed in ready money or put into the Savings Bank. In fact, on one side the fusion of other lines of railway with that of Orleans has involved a considerable increase of *personnel* without a proportionate increase of receipts, and on the other the Company finds itself compelled to appeal to the State guarantee. While this guarantee remains in force, and until the complete reimbursement to be made to the State of all sums advanced by it on this score, the allotment to the *employés* of a sum equal to ten per cent. on their annual earnings has been allowed to rank among the working expenses, and the State makes up this percentage in virtue of its guarantee. This participation by the *employés*, or rather the subvention which supplements it, is thus maintained in spite of losses which the Company may incur. For a lacking profit is substituted a charge under general expenses. This charge has for its sole object to ensure the regular payment to the Pension Office of the ten per cent. on wages entitling to annuities the inadequacy of which is now engaging the serious attention of the Orleans Company, though in such a position of affairs a cash bonus is of course out of the question. The articles of the Statutes and Regulations relative to participation still remain, but if participation itself continues to exist, it is

in a latent state. Its animation is suspended so long as the State guarantee continues to operate.

ESSAY V.

PROFIT-SHARING IN AGRICULTURE.

IN the preceding Essays I have described the beneficial results accruing, both to employers and employed, from the system of remuneration which allots to labor, in addition to fixed wages, a share in the profits realized. The material success attainable by the application of this system to a given branch of industry depends on the extent to which the operatives engaged in it are able, by supplying more efficient work, to enhance the profits of enterprise. This influence of labor upon profits can be exerted in three ways: by increasing the quantity, improving the quality and diminishing the cost of production. In forecasting the result likely to ensue from the introduction of profit-sharing into an assigned undertaking we have, therefore, only to estimate the degree in which the stimulated zeal of the men employed will bring about the three effects just enumerated.

From this point of view, agriculture would seem to offer an exceptionally promising field for the system under consideration. The slack, clumsy and wasteful character of the work done by agricultural laborers under existing arrangements is a matter of general complaint. Could these shortcomings be converted into the opposite excellences, there can be no doubt than an abundant source of fresh profit would at once be opened. As, however, purely theoretical considerations have but little weight with men engaged in practical business, it is fortunate that, in the present instance, an appeal can be made to the results of actual experiments in participatory farming successfully carried out on the Continent.

In the now depressed condition of

our agriculture, when every expedient which seems to offer a prospect of improved production is anxiously canvassed, no apology is needed for the attempt here made to place on record the salient features of a few conspicuous applications of profit-sharing to that all-important industry. The facts to be alleged are, with but few exceptions, taken from Böhmert's great work* the statements of which may be accepted with entire confidence as they were obtained by direct correspondence with the agriculturists by whom the experiments which he describes were instituted or carried on.

Among the instances selected, the post of honor is due to the organization which has been at work from 1847 to the present time on the estate Tellow, near Teterow, in Mecklenburg-Schwerin. Herr J. H. von Thünen, proprietor of that estate at the date referred to, who is remembered in Germany as a writer of repute on economical questions, commenced his experiment on the following plan. To all his regularly employed work-people occupying cottages on the estate he assigned, over and above ordinary wages paid at the full rate current in the neighborhood, a share in the profits of farming. At the close of each year's account, on the 30th of June, an inventory was to be made, and the value of everything on hand estimated. Increase in value over the preceding year was to be reckoned as additional receipt; diminution set down as loss.

If, after deduction of all outgoings, the profits exceeded £825, each participant was to have one-half per cent. of the surplus above this amount. When, on the contrary, the assigned limit was not attained, the deficit was to be made good out of the next

* *Die Gewinnbetheiligung*. Leipzig, Brockhaus, 1878. In this work will be found full technical details on the cases selected for brief description in the present Essay, as well as on other instances of profit-sharing applied to agriculture. I have referred for more recent information to a paper by the same author, reprinted from the *Arbeiterfreund*, Berlin, Simion, 1880.

year's surplus. The number of beneficiaries, including bailiff, schoolmaster, cartwright, etc., was twenty-one.

The individual share in profits was not paid in cash, but credited to a savings account. On the sum therein standing Herr von Thünen paid $4\frac{1}{2}\%$ per cent. interest, which was handed over each year in the form of a cash bonus at Christmas. Only at sixty years of age could a participant draw the capital sum accumulated for him. Should he die sooner, it passed to his widow, subject in some cases to partial settlement upon children.

The above arrangement is still in force, with no important change save that the sum above which participation begins is now £900 instead of £825. Herr von Thünen's son, and his grandson Herr A. von Thünen the present proprietor, both had full power to abolish the system, but they preferred to retain it.

The following table shows the sum annually allotted to each participant, for himself and his family, since the introduction of the system:—

£ s. d.	£ s. d.
1847-48.....1 12 0	1865-66.....0 6 0
1848-49.....1 9 0	1866-67.....1 10 0
1849-50.....2 17 0	1867-68.....4 5 0
1850-51.....3 4 0	1868-69.....4 0 0
1851-52.....2 2 0	1869-70.....3 14 0
1852-53.....1 14 0	1870-71.....4 1 0
1853-54.....3 11 0	1871-72.....4 10 0
1854-55.....6 17 0	1872-73.....4 1 0
1855-56.....4 3 0	1873-74.....2 0 0
1856-57.....5 3 0	1874-75.....4 10 0
1857-58.....4 6 0	1875-76.....0 17 0
1858-59.....4 7 0	1876-77.....—
1859-60.....4 7 0	1877-78.....0 19 6
1860-61.....4 12 0	1878-79.....0 13 0
1861-62.....1 13 0	1879-80.....2 10 0
1862-63.....7 12 0	1880-81.....4 8 0
1863-64.....7 16 0	1881-82.....3 18 0
1864-65.....4 17 0	

In the unfavorable year 1876-77 there was a deficit of £439 below the stipulated minimum of £900. This was made good out of the surpluses of the two succeeding years. Herr A. von Thünen expressed the following opinion of the general results of the

system followed at Tellow, in a letter to Professor Böhmert dated the 25th of May, 1877:—

The institution has approved itself and borne the fruits which my grandfather hoped from it, at least with the majority of our people: exceptions are, of course, to be met with here as everywhere. The share in profits retains the people on the estate, as, if they quit it, they do not receive their capital, but only the interest upon it. It creates common aims for the proprietor and the laborers, and so brings about a better understanding between the two parties. At the outset most of the people were, I believe, somewhat dissatisfied because their share was not paid over in cash. But by slow degrees, as the capital of individuals grew, they recognized the excellence of the system on this point also, for with many of them the interest which they receive in an ordinary year exceeds the share of profits annually allotted to them.

In a letter addressed to me on the 2d of November, 1881, Herr A. von Thünen expressed a continued favorable opinion of the system in action at Tellow. "The results of the participatory arrangement here are," he wrote, "very gratifying."

An experiment carried on from 1872 to 1877 at Bredow in the neighborhood of Berlin, by Herr H. Jahnke, on a farm partly freehold and partly leasehold, presents features of much interest. In consequence of the dearth, scarcity and inefficiency of the work obtainable from hired laborers in his district, Herr Jahnke entered, in January, 1872, upon the following arrangement with five married laborers. He and they were to form an association for cultivating his farm to the best advantage; Herr Jahnke undertaking to provide stock and capital, and to pay rent, taxes and all other outgoings. For his own services in directing the farming operations and keeping the accounts he was to draw a salary of £45 as a first charge on profits. Each associated laborer was to have a good cottage and a piece of garden land rent free, besides allowances in turf, wood, etc. The five men together were to receive 52s. 6d. as weekly wages in summer, and 45s. in winter. The proprietor was to credit to himself an amount equal to

* The interest paid now is four per cent.

the whole sum thus annually paid to the laborers. Of the net profits accruing in each year one half was to belong to Herr Jahnke, and the other half to be divided among the associated laborers. The five men agreed to do, with some help from their wives and children, the whole work of the farm, and, if occasional extra labor proved requisite, to supply this at their own cost. They further undertook to deposit 30s. each as caution-money, and to invest in their employer's custody not less than 30s. out of each annual share in profits accruing to them. On this caution-money and on their subsequent investments Herr Jahnke was to pay interest at five per cent. An agreement to the above effect was made for five years from April, 1872.

The material results of the experiment are given by Böhmert for only the first three years of its continuance. They were as follows:—

Year.	Total Net Profits.	Employer's Share.	Each laborer's wage—earnings and share of profits.
	£ s. d.	£ s. d.	£ s. d.
1872-3	527 19 6	263 19 9	52 16 0
1873-4	488 8 5	244 4 3	48 16 10
1874-5	549 6 6	274 13 3	54 18 8

Each associated laborer, therefore, received on an average £52 3s. in money during each of these three years. If to this be added, as Herr Jahnke thinks should be done, £6 15s. as the equivalent of house and garden rent, and of allowances in turf, wood, potatoes, butter, etc., there results a total of £58 18s.

Professor von der Goltz, in a work published in 1875, estimated the highest annual earnings of agricultural laborers in the German Empire at £33 4s. Even though this estimate be, as seems probable, somewhat below the truth, the contrast to the advantage of Herr Jahnke's system remains, from the laborer's point of view, very marked.

As a measure of the material benefits conferred on the employer may be

taken Herr Jahnke's statement that his land, which he would have been willing to sell in 1872 for £4500, might, he thought, have fetched £5100 if it had been offered for sale in 1875, by which time ten per cent. more ground had been brought under the plow by the exertions of his laborers.

Herr Jahnke's principal objects in the introduction of profit-sharing were to ensure a constant supply of zealous laborers and avoid fluctuations in wages, to encourage thrift and to increase agricultural production. He considered his system to have been *thoroughly successful* in attaining these objects.

No details later than 1875 are given on Herr Jahnke's authority. It appears, however, that two of his laborers subsequently quitted his employment in order to set up on their own account. In 1877 he sold his property, and the participatory arrangement at once came to an end, as the purchaser could not make up his mind to continue it. The cause which led to this result was one scarcely to have been anticipated—the hostility of the neighboring proprietors to the profit-sharing system. "I must admit," wrote Herr Jahnke in 1877, "that by introducing this arrangement I made myself many enemies among the landed proprietors, and that it was this circumstance which induced me to part with the estate." He had already in 1875 described the opponents of participation as comprising proprietors who were for high prices and low wages, laborers who wanted high wages for a small quantity of bad work and such persons as found their advantage in the misunderstanding existing between agricultural employers and employed.

Böhmert appends to his account of the above experiment extracts from a paper by Herr Berthold Wölbling, a few passages of which I translate here.

After remarking on the increased earnings of labor under the half-profit system, Wölbling writes:—

These earnings have a special source of their own, viz. enhanced production due to the industry and care of the laborers. Every practical farmer knows how imperfectly agricultural work is done by hirelings of all sorts, and how little what goes by the name of good superintendence is able actually to effect in securing good execution of work. The full effect of any work is brought about, not merely by intensified exertion of muscular force, but also by zeal and alertness of mind: such an application of bodily and mental powers is only to be obtained from one *whose entire interests are engaged*. In fact new springs of production are thus opened, and it is this which gives to the system its high agricultural importance. The laborer finds that his increased incomings are, relatively speaking, more easily earned than under fixed wages, because they include payment for carefulness as well as for mere efforts of brute force. A reciprocal influence on the habits of the laborers will also not fail to show itself. If they perceive that a successful result depends not merely on muscular exertion, but also on sustained orderliness and attention, they will find it more and more their interest to practice these virtues.

The proprietor derives, independently of the pecuniary result, many advantages from the half-profit system. He has perfectly trustworthy laborers, and each piece of work is taken in hand at the proper moment. He is no longer obliged to urge and drive, while fretting internally at the many instances of neglect which he is powerless to prevent. When his back is turned, he knows that his business is as well attended to as if he were directing it himself. He can dispense with all intermediaries, as no formal overseeing is required. Nevertheless, the position of the managing head has grown in importance. He must show more than was formerly necessary that his management is sound, and that with regard to every department of his business he is firm in the saddle, for he now has a responsibility toward his associated laborers. He is more than ever bound to set them an example of diligence, economy and other virtues, on the exercise of which the success of the whole undertaking depends. In short, the system demands a thoroughly competent man.

Baron Zytphen-Adeler, member of the "Landsthings" or First Chamber of the Danish Parliament, commenced in 1873, on his estate named Dragsholm, Zealand, Denmark, a very important experiment in the application of profit-sharing to agriculture. He gave notice that for the year 1873-74 all net profits exceeding a specified amount should, with the exception of a small sum (£22 10s.) reserved to be distributed as prizes

for specially good conduct, be divided into two equal parts, one of which would go to the proprietor, and the other be divided among all the persons—over eighty in number—employed in cultivating his estate. A detailed schedule assigned the proportions in which each was to participate, according to the importance of the duties which he discharged. Thus the chief dairyman was to have ten per cent., the housekeeper five per cent., and each day-laborer one per cent. of the distributable bonus. One-fourth of the share allotted to each individual was to be compulsorily invested in a savings account, the remainder to be paid over on the spot. These shares in profits were of course independent of and additional to ordinary market wages.

For the year 1873-74 the divisible bonus amounted to £236. In distributing it the number of days which each laborer had worked was taken into account. The maximum obtained by a field-hand was £2 11s. 6d.; the average about £1. When announcing these results, Baron Zytphen-Adeler carefully explained to his workpeople the essential conditions of participatory success.

The next year, 1874-75, was marked by an extremely unfavorable rape-harvest, the yield being but little over one-third of that in the previous year. Heavier outlay and an increased rate of wages had also to be met. The share assigned to labor sank to £170, but the effect of the system in evoking improved work was plainly visible. "I have," said the proprietor in a report on the agricultural year, "been able to observe distinctly a fuller recognition of this fact, that it is the interest of every man to devote himself to his work with industry and conscientiousness."

Only in the third year of the experiment did the good results of the system fully manifest themselves. Baron Zytphen-Adeler expressed his firm conviction that its principles were now really understood by his

workpeople. In proof of this he alleged the fact that on his estate—the largest agricultural undertaking in Zealand—the entire harvest had been got in a week earlier than on many small holdings. This had never been done before, and the result was achieved only by the sustained zeal of all concerned. After remarking that the significance of this fact would escape no agriculturist, the Baron added the following corroborative incident:—"One day rye was being sown: when, at half-past seven in the evening, I found the people still hard at work, I remarked that they would anyhow not succeed in finishing on that day the two acres and a half still remaining to be sown. They, however, answered with one voice that *that must* be done; and it *was* done!"

The sum available for the year 1875-76 as bonus to labor was £313. One field-hand with his wife and children received, exclusively of prizes for good conduct, nearly £7, a second £6, a third £5, and so on.

The year 1876-77 produced, in consequence of a bad harvest, a result so unsatisfactory that not even the preliminary minimum assigned to the proprietor could be covered, and that a bonus to the laborers was entirely out of the question. It was carefully explained to them that the bad harvest rendered any other result impossible. No sign of discontent showed itself—a clear indication that they had fully recognized the inevitable vicissitudes to which agricultural production is subject.

The above are the latest details of this experiment with which I am acquainted.

My object in placing before the reader in rough outline a few specimens of profit-sharing successfully applied to Continental agriculture is to bespeak practical attention for the question under what form that system may, with the best chances of success, be introduced into British farming. To elaborate a plan of organization is obviously a task to which no one but

a practical agriculturist is competent; and even he would probably hold that, in applying the system to any particular case, the individual circumstances of that case must be carefully considered and provided for. Without unsurping however the functions of the agricultural specialist, I may, in terminating this Essay, refer briefly to one or two points which cannot be safely neglected in any application of the system.

In order to guard the interests of the employer, a sum should be determined upon and notified as representing the minimum return on his capital, and remuneration for his own services, which will satisfy him. Only the surplus profits above this sum should constitute the participation-fund; and therefore, when this sum was not overpassed, no bonus should be allotted to labor.

As, however, the success of the system wholly depends on the degree in which the prospect held out to the laborers leads them to contribute improved work, the limit just mentioned ought to be put at the lowest point consistent with reasonable safety to the employer's capital. The proportion, too, of the surplus profits assigned to labor ought to be fixed at an attractive figure. Any scheme to which either too high a minimum, or too low a rate of bonus, gave the look of having been constructed in order to enable the employer to pocket the result of his laborers' additional exertions, would be foredoomed to failure.

A doubt may be felt as to how far so uneducated a class as English agricultural laborers unfortunately still are can be made to understand the central principle of profit-sharing, and so be induced to put forth the sustained efforts necessary to reap its fruits. The experience gained during the short-lived participatory experiment made half a century ago in Ireland seems, however, eminently fitted to remove such hesitation. That, during a crisis of agrarian violence far exceeding in intensity anything recently enacted in that country, the

laborers on Mr. Vandeleur's estate at Ralahine, county Clare, were induced by the influence of participation to work with extraordinary energy and remarkable success, is a notorious fact. (See Appendix to this Essay.) A principle sufficiently luminous to have been clearly recognized by this group of disaffected men, some of whom had just before assisted in or connived at the treacherous murder of their own steward, can surely be made adequately comprehensible to the present generation of British laborers.

APPENDIX TO ESSAY V.

[I place here an extract from a Paper read by me at the Dublin Meeting of the Social Science Association, 1881, on the question "What results may be expected to arise from an Extension of the System of Participation by Labor in the Profits of Manufacturing, Agricultural and Trading Enterprises?"]

To agricultural production has been assigned in the question before us a distinctive position merited, not only by its paramount importance to the people of Ireland, but also, as I believe, by the specially promising field which it offers for participatory operations. I propose, therefore, to treat this branch of our subject in some detail.

It will be remembered that two conditions are essential to successful profit-sharing. The zeal of the workers must be adequately enlisted, and labor must be able to exert an effective influence on production. That in British agriculture the second condition is satisfied—that more active and intelligent efforts on the part of the laborers would lead to improved returns—admits of no doubt. The only question to be answered is therefore this:—Can agricultural laborers be induced, by the prospect which participation offers, to put forth the sustained exertions necessary to secure its benefits? It would be easy to produce affirmative replies to this question from Continental authorities.

... Under present restrictions of time, however, I shall only appeal to a single remarkably instructive experiment made half a century ago in Ireland during a social crisis far more severe than that which has visited it during the present year.

The time was one of acute agrarian suffering, discontent and violence. "The peasantry," says the *Annual Register* for 1831, "marched in bands through the counties, demanding reduction of rents and increase of wages, and threatening destruction to the magistrates and gentry who should disobey or endeavor to resist. . . . In some instances they insisted that no mode of agriculture should be used but that which should employ the greatest number of hands, such as spade husbandry. In the county of Meath, they marched from house to house, taking the laborers from their work and the horses from the plow: and as soon as the military had dispersed one assemblage at one point, a new one started up at another (page 302).

"... In the counties of Clare, Roscommon, Galway and Tipperary the law seemed no longer to exist. Murder, robbery, searching for arms—these things done, too, by bodies of men who could be met only by military force—were the ordinary occurrences of every day. . . . In the county of Clare, in particular, all decent persons of all opinions affirmed that the country was no longer tolerable as a place of residence. The serving of threatening notices, the leveling of walls, the driving off of cattle, the beating of herdsmen, the compulsory removal of tenants, the levying of contributions in money, the robbery of dwelling-houses, the reckless commission of murder, were driving the better class of inhabitants to desert their houses and seek refuge in some other quarter" (pp. 324, 325.) Such were the conditions under which Mr. John Scott Vandeleur, a landed proprietor in the county of Clare, had the courage to undertake an experiment in participatory agriculture.

The scene of it was an estate of 618 acres called "Ralahine," situated between Limerick and Ennis, and surrounding Mr. Vandeleur's dwelling-house. The experiment and its results are fully described in Pare's *Co-operative Agriculture*, a work the materials for which were mainly, I understand, supplied by Mr. E. T. Craig, who was the secretary, and to a considerable extent the practical organizer, of the Ralahine Association. The following account of the experiment is condensed from the narrative given by Pare.

Mr. Vandeleur had, since 1823, been a disciple and friend of Robert Owen. Finding himself embarrassed in the cultivation of Ralahine by the ignorance and drunkenness of his laborers, and by their intense aversion to be directed in their work by a steward, he determined to give participation a trial, nor was he deterred from, but rather confirmed in, his purpose by the treacherous murder of his own steward, perpetrated not long before the commencement of the experiment and with at least the connivance of some of his own laborers. The agreement, made in November, 1831, between the proprietor and the whole body of workpeople, men, women and children, fifty-two in all, on the Ralahine estate, was as follows. Mr. Vandeleur was to supply the land, buildings, implements, stock and stores, and to pay daily wages at the ordinary rate. The "Association," of which the workpeople were constituted members, Mr. Vandeleur president, and Mr. Craig secretary, was to supply to the proprietor produce to the estimated value of £900 as rent for his land and interest on his capital. The net profits were to belong to the Association, but were to be expended, not in individual distribution, but in purchasing the live stock from Mr. Vandeleur, and for other objects advantageous to the Association as a body.

The experiment while it lasted was successful beyond all expectation, but unfortunately, before two years

had elapsed from the signature of the original agreement, a single act of deplorable weakness totally unconnected with the proceedings of the Association put an immediate and calamitous end to the entire undertaking. Mr. Vandeleur, though a high-minded and benevolent man, was disastrously addicted to gambling. At his club in Dublin he indulged this passion to the extent of sacrificing to it everything he possessed in the world. His total ruin fell on the little community at Ralahine with the effect of an avalanche. A *fiat* in bankruptcy was taken out against his estate, and, as the Association had no lease and their "agreement" was legally invalid, they were summarily ejected without any compensation, and the land was seized for the benefit of the creditors.

Short-lived as was the Ralahine experiment, it has put on record invaluable experience as to the results of participatory agriculture on those brought under its influence. A few quotations from Mr. Pare's book will indicate of what kind these results were.

The first extract shows the capacity of participation to elicit increased zeal in work.

"We formerly," said one of the laborers in speaking of their condition when working under the direction of a steward, "had no interest either in doing a great deal of work, doing it well, or in suggesting improvements, as all the advantages and all the praise were given to a tyrannical taskmaster for his attention and watchfulness. We were looked upon as merely machines, and his business was to keep us in motion; for this reason it took the time of three or four of us to watch him, and, when he was fairly out of sight, you may depend we did not hurt ourselves by too much labor; but now that our interest and our duty are made to be the same, we have no need of a steward at all" (pp. 60, 61).

"At harvest-time," said Mr. Craig, "the whole Society used voluntarily

to work longer than the time specified, and I have seen the whole body occasionally, at these seasons, act with such energy and accomplish such great results by their united exertions, that each and all seemed as if fired by a wild enthusiastic determination to achieve some glorious enterprise—and that, too, without any additional stimulant being administered to them in the shape of extra pecuniary reward" (Pare, p. 62).

The next quotation illustrates the carefulness in the preservation of property which participation calls forth.

"It is proverbial that an Irishman is ever ripe for excitement. Its kind and force will very much depend upon circumstances. He will either carry you on his back or lay you on your own, as you may treat him. During the hunting season it was customary with many of the peasantry to join in the chase for some distance, when the fox took across lands near where they were at their labor. In doing this they would pass over and trample down the young crops, and break down the fences, with as much *nonchalance* as the most legitimate huntsman who ever followed hounds—from whom, indeed, the lesson had been learned. A good run over the fields in chase of Reynard was held as capital fun.

"When, however, the members of the Association began to realize their true position, they would not permit any one to disturb the fences, or to hunt over the estate. During the winter of 1832, a hunted fox crossed the mill water-course near the rick-yard, and took across the orchard, and over a seventy-acre field of wheat in the highest tilth of any land on the estate. The mounted huntsmen—youthful squires, farmers and tradesmen—to keep well up with the hounds on the wheat-field would have to pass through the farm-yard, but they found that, by a sudden and mutual impulse, the large high gates of the farm-yard had been locked against them by the 'New Systemites.' Many

of the huntsmen seemed perfectly astounded at the daring and 'impudence' of these men. The incident shows that the new system had converted these once indifferent or careless servants into prudent conservators of the property under their care" (pp. 117, 118).

"Before the Society was established," said Mr. Craig, "the laborers conceived their own interest opposed to that of their employers, and would attend to nothing beyond their appointments for the passing moment. If a bullock broke over a fence and trampled down the wheat, they would say, 'It's no business of ours; let the herdsman see to it;' and thus the wheat was destroyed because they got neither profit nor thanks for their extra trouble. They conceived it to be their interest to encourage clandestinely the destruction of property, believing that it would create a greater demand for their labor. But after the Society commenced this order of things was reversed. A single potato was by many of them very reluctantly wasted, for they found that the conservation of the property was the saving of their own labor. Thus the same faculty of mind—self-interest—produced opposite results when surrounded by opposite controlling circumstances" (p. 118).

A few months before the final catastrophe Mr. Vandeleur described the results to be anticipated from a wide extension of the system in the following words, part of an address to his laborers on the employment of machinery in agriculture:—

"Tell the owners of land that, if they wish to use machinery beneficially, they should form you into societies where it cannot injure you, but where you would have an interest in using and protecting it. And should they be induced to unite with you in these arrangements so advantageous to all parties, they would soon see a great, wonderful, and rapid improvement in the state of the country; there would be no more *starvation in the midst of abundance*, nor any neces-

sity for industrious workmen to leave their homes, friends and country, for foreign woods and wilds, while their native land remains but partially cultivated" (pp. 69, 70).

The verdict of the Ralahine laborers as to the effect of the experiment on themselves is contained in the following statement agreed to at the last general meeting of the Association:—"We the undersigned have experienced for the last two years contentment, peace and happiness under the arrangements introduced by Mr. Vandeleur and Mr. E. T. Craig. At the commencement we were opposed to the plans proposed by them; but, on their introduction, we found our condition improved, our wants more regularly attended to, and our feelings toward each other at once entirely changed from jealousy, hatred, and revenge, to confidence, friendship, and forbearance" (pp. 137, 138).

The eminently encouraging results attained at Ralahine under eminently discouraging circumstances seem to constitute a strong argument in favor of renewed experiments of the same, or of a kindred, description. The requisites are land, capital and labor. We hear of farms unlet, of capital pent up in banks for lack of safe investments, and, in parts of Ireland at any rate, of a redundant agricultural population. On the other hand, the evil to which Mr. Vandeleur pointed, "starvation in the midst of abundance," is still uneradicated, and emigration is far from being a completely satisfactory cure. Can there, then, be a doubt that, with need so urgent and conditions so favorable, the remedy for agricultural weakness which participation seems to offer ought, with no further delay, to be submitted to conclusive trials made upon an adequate scale?

ESSAY VI.

PROFIT-SHARING IN DISTRIBUTIVE ENTERPRISE.*

[After a brief introduction on the beneficial results attained by profit-sharing in productive industry, the paper continued as follows:—]

Such, sketched in the barest outline, are the salient results of profit-sharing. It would be easy both to enlarge the picture and to fill in details to an almost unlimited extent. I am, however, anxious to pass from general considerations on the subject before us, to its application in a particular branch of industry with which the members of this Conference are closely connected,—I mean distributive trading. The managing committee of a Co-operative Store—and many such committees are represented by the delegates here assembled—occupies essentially the position of a distributive trader. This being so, the application of profit-sharing to distributive enterprise must necessarily possess a priority of interest in the minds of those present. I shall, therefore, on this occasion pass over the immensely important organizations of the system in productive establishments, in order to describe, with such fullness as limited time will allow, a conspicuous distributive house working on a participatory basis in the French capital.

The "*Magasin du Bon Marché*," rue du Bac, and adjoining streets, Paris, is a huge establishment for the sale of all kinds of manufactured goods, which employs some three thousand persons, superior officials, clerks, salesmen and saleswomen, and attendants of various grades. The founder and builder of this vast undertaking was M. Jacques Aristide Boucicaut, whose character well bore out a Christian name embodying the old Greek standard of what a "just man" ought to be. A few words on

* Part of a Paper read on the 15th of October, 1881, before the Southern Section of the Co-operative Board.

M. Boucicaut's career are indispensable in order to bring out clearly the object of the institution which he created. I translate the following short account of his life from the *Bulletin* of the French Participation Society, from which also the rest of this paper has been compiled:—

M. Jacques Aristide Boucicaut was born in 1809 at Bellême (Orne). The son of a hatter in a small way of business, he had to begin early his apprenticeship to a laborious life. The retail trade in stuffs used formerly to be carried on in the country by salesmen traveling from town to town, and it was in this way that the young Boucicaut began his career. He accompanied one of these perambulating vendors in a very subordinate capacity; while the goods were being unpacked at the inns, he had to look after the horses and van. His situation was precarious and often unhappy.

Before long he came to Paris and entered as *employé* the *Magasins du Petit Saint Thomas* where he rapidly distinguished himself, and became superintendent and purchaser. Thanks to great personal efforts, he succeeded in educating himself: he loved books and was naturally inclined to study. His duty taking him several times to England, he managed, by dint of energy and patience, to learn English, constantly studying in the coach or in the railway carriage his grammar or his reading-book. It was in 1852 that he acquired the establishment, then a very modest one, called the "*Bon Marché*" to the development of which he applied all the powers of his high intelligence, prodigious activity, accurate taste, and commanding capacity of directing a vast organization and at the same time keeping a firm grasp on the smallest and seemingly most insignificant details. Persons who knew M. Boucicaut say that to all these gifts were added a happily constituted character, excellence of heart and perfect uprightness.

From the day when he felt himself justified in counting on a durable success, he determined to put his philanthropic ideas into practice. He had set out from the lowest rung, he had painfully climbed all the successive steps of his business, he had seen other *employés* suffer, and suffered himself, from abuses inherent in the current modes of doing business: his desire was that the experience he had so laboriously gained should not be lost, but should one day prove of service to all engaged in his branch of trade.

His favorite idea, the thought nearest his heart, was to raise the condition, moral and material, of the persons in his own line of life; he had belonged to the class of commercial *employés* who used to be designated by the nickname "counter-jumpers"; he held it a point of honor to show what the young people who follow this career may be

and ought to be, and especially to assist those whose capacities were not adequate for the attainment of the lucrative posts of head of department or superior *employé* (1883, pp. 3, 4).

M. Boucicaut's material success was extremely great. His establishment, when he acquired it in 1852, was doing a business of not more than £18,000 a year; in 1869 the annual turn-over was £840,000—an increase of 4500 per cent. in seventeen years.

The year 1876 witnessed the introduction—which had been delayed by the disastrous events brought upon Paris in the train of the Franco-German War—of a long-meditated system of profit-sharing by which a direct interest in the prosperity of the *Maison Boucicaut* was thrown open to a large and constantly increasing number of its *employés*. A Provident Society was formed for their benefit, to be supported exclusively by sums annually paid over for that purpose out of the net profits of the house. A separate account was opened in the name of each member of this Society in order to be credited with his or her allotted share of each such successive payment. These annual dividends to labor were to accumulate at compound interest for an assigned number of years, and only at the expiration of that period was the resulting capital sum—save in exceptional cases—to be handed over to the person in whose name it stood.

The object for which this institution was created and the mode in which it was intended to work appear from the following words addressed by M. Boucicaut, in his own name and in that of his son, to the *employés* of the house when, on the 31st of July, 1876, he announced the establishment of the Provident Society:—

Our object has been to ensure to every one of our *employés* the possession of a small capital coming into his disposal at old age, or which, in case of death, may be a benefit to his family.

We wished at the same time to show them in an efficient way what is the close identity of aims which ought to unite them to the house.

They will better understand that their activity in work, attention to the interests of the house and economic treatment of the materials entrusted to them, are so many duties which turn to the profit of each and all.

They will be more thoroughly imbued with the principles which we never cease to set before them; they will know the better, from being more directly interested, that success depends on their efforts, on their good conduct and on the care with which they endeavor to satisfy the customers—an object which we are one and all seeking to attain.

A few details, extracted from the printed regulations of the Provident Society, will show what were to be the qualification for membership and the terms of participation.

Every *employé* who had worked continuously for five years in the house had a right to membership—unless he happened to belong to the small class of superior officials who already possessed a direct interest in the sales effected in their several departments, or in the general business of the house. This arrangement obviously provided for a steady annual increase in the number of *employés* to whom the benefits of participation were to be extended.

Except in the opening year, for which a special arrangement was made, the sum annually paid over to the Society out of the profits of the house was to be allotted in the following manner:—

A separate account, opened in the name of each participant, was to be yearly credited with a share of this sum proportional to the amount which the *employé* in question had received in wages during the year on which the division was made.

Each such account was to be further credited in every successive year with interest at four per cent. on the whole amount standing in it. An annuity accumulating at compound interest for a term of years was thus assigned to each beneficiary.

The conditions under which the capital sums accumulated in this manner were to come into the actual disposal of the benefited persons were as follows:—

A male *employé*, either on attaining the age of sixty or on completing twenty years of uninterrupted work for the house, could claim cash payment of the entire sum standing to his credit. In the case of women the qualifying periods were to be fifty years of age or fifteen years of work.

While a long-deferred participation was thus created as the ordinary rule, exceptional cases were to be promptly provided for. On the death of a member of the Society, of whatever age or standing, immediate full payment to surviving relatives was statably directed.

In the event of disabling illness recourse could be had, subject to approval by the heads of the firm, to partial or entire liquidation of account.

Such was M. Boucicaut's plan for securing to his *employés* an accumulated capital. The scale on which it was to be carried into effect, the actual amount to be in each or any year paid out of profits to the Provident Society, he reserved absolutely for his own unrestricted decision.

Unfortunately it was on but two occasions, in 1876 and 1877, that he was permitted to exercise this power. He died on the 26th of December in the latter year, and, ten months afterwards, death removed his son also. His widow succeeded alike to the ownership and direction of the house and to the maintenance of its organization and traditions.

The sums yearly paid over to the Provident Society from its foundation in 1876 down to Midsummer, 1883, together with the number of its members in each of those years, were as follows:—

Year.	Sums paid to the Society.	No. of Members.
1876	2460	128
1877	2400	199
1878	3200	275
1879	3400	351
1880	3600	443
1881	3800	515
1882	4000	592
1883	4000	699

The property of the Society amounted on the 1st of August, 1883, to £26,453.

In January, 1880, the proprietress of the *Bon Marché*, as an act of respect to the memory of her husband, carried his ideas a step further by formally admitting into partnership with herself ninety-six heads of department and other *employés*, who put sums not less than £2000 each, and not more than £4000 each, into the business. In some instances these sums, though standing in a single name, were contributed by a group of *employés*, so that the benefits of partnership were actually extended to a larger number of persons than those named in the articles of association. The whole capital employed in the *Bon Marché* under the new arrangement is £800,000, of which Madame Boucicaut holds £500,000 and the partner-*employés* £300,000.

These figures are certainly very striking, but the development of which they are the measure belongs to co-operative enterprise rather than to the topic of workmen's participa-

tion on which we are now specially engaged.

As the upshot of this paper, I wish to make a practical suggestion, viz., that active steps be taken to ascertain whether the persons employed as managers, clerks, salesmen and saleswomen, porters, messengers, etc., in co-operative stores may not, with advantage both to the employing establishment and to themselves, be admitted to participation in profits. The great results which have been already attained on the Continent by the application of this system, and which are as yet but very imperfectly known in this country, seem to me of themselves an adequate ground for the inquiry I have ventured to suggest. Exhortation in support of my proposal would be singularly out of place in such a gathering as the present, where I gladly submit it for discussion, confident that English co-operators are the very last people to reject as visionary a beneficent reform which a private French trader has experimentally proved to be feasible.

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